

The polls

Nats, Socred centrestage, but watch for Labour

by Colin James

TAKE your pick: was it National or Social Credit that benefitted from the union dust-up in February?

The New Zealand Herald-National Research Bureau poll says National. The National Business Review-Heyley Poll says Social Credit.

The polls agree that Labour dropped. But whereas NRB says Social Credit dropped too and National jumped sharply, Heyley says it was National that accompanied Labour down while Social Credit went up.

The difference may be partly accounted for by the slight differences in polling dates. In both the before and after polls,

the NRB poll was taken slightly before the Heyley Poll.

Heyley's post-dustup poll was taken on March 14, a few days later than NRB's March 11 sounding. It may therefore represent a more considered reaction — or it may simply underline the unstable quality of public opinion.

However, as the graph shows, the two polls broadly agree with each other on recent soundings:

• National slightly down September to January.

• Labour heavily down from September, but with a plateau from October through to January.

• Social Credit suddenly up in September-October and holding somewhere in its region of its new high level.

The party to watch over the next few months is Labour. Was the union picket after another nail in a near-completed coffin, or was it just a temporary setback in a recovery from last October?

It was, for instance, at this point in 1978 that Labour reached its lowest poll support before climbing right through to the election.

One point gives hope to Labour: unemployment continues to climb as the top concern in both polls, whereas economy and inflation have fallen back.

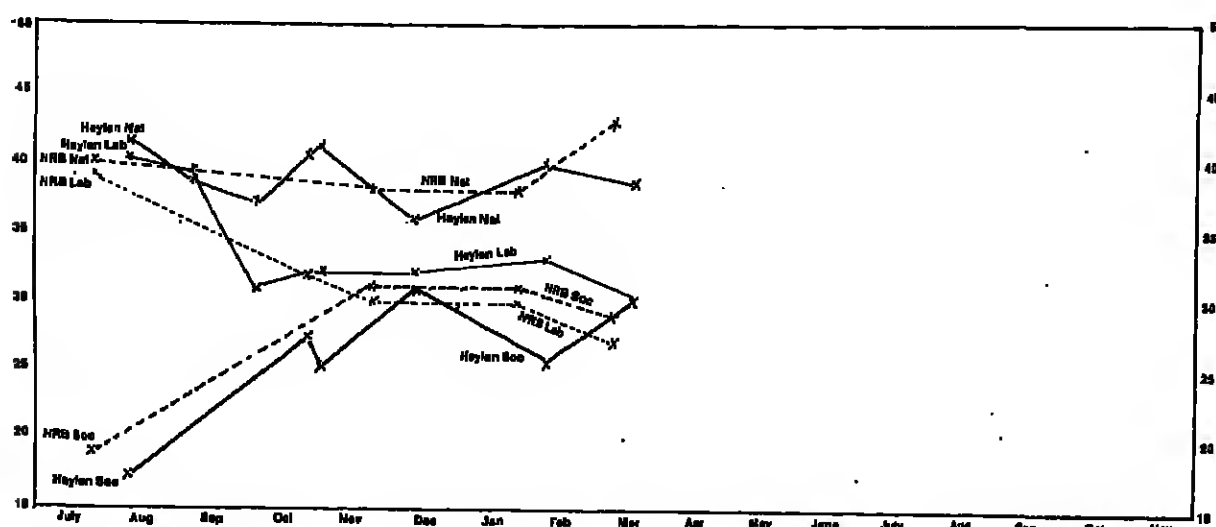
The sudden rise in concern about unions and strikes reflected in both polls is a natural enough in the circumstances — did not appear to deflect the substantial minority (45.2 per cent Heyley, 51 per cent NRB) from unemployment.

Traditionally — as far as can be gauged from the limited survey evidence available — concern about the economy has tended to favour National and concern about unemployment Labour.

Thus, one might traditionally expect Labour to pick up again as concern fades about unions and strikes, which is more likely to damage Labour than other parties. Labour might be expected in normal times to be back on its recovery path in the April Heyley Poll.

But these are not normal times. Social Credit's 30 per cent support proves the predictions are fruitless.

Next week: What are people supporting each leader — and why did Prime Minister Robert Muldoon and Social Credit leader Bruce Beetham move in opposite directions from their parties in the Heyley ratings between February and March?



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Inside

THE WEEK

Pacific Forum Line kept aloft — Page 2.
 Kinemakers get first look at 1981 information affecting industry — Page 3.
 First "Agrow" — Page 4.
 Perhaps, "Fahgrow" — Page 5.

COMMENT

Editorial: Without word of a... — Page 6.
 Time to change energy policy — Page 7.
 Letters to the editor — Page 8.

POLITICS

The Social bubble — when... — Page 9.

ECONOMICS

The advantages and disadvantages of import tendering — Page 11.

FINANCE

The week the small investor... — Page 13.
 The week in business — Page 14.

STOCK EXCHANGE

A review of the weekly... — Page 15.

REAL ESTATE

Effects of the Matrimonial... — Page 16.

BUSINESS

FD set for a big collect from... — Page 17.
 Auditing annual accounts:... — Pages 18, 19.

ADMARK

Radio New Zealand's... — Page 21.

TRANSPORT

The ideal political manifesto... — Page 22.

AGRICULTURE

Brothers was affluent on... — Page 23.

INSURANCE

Renewed interest in insuring... — Page 24.

INDUSTRIAL RELATIONS

The 36-hour week campaign... — Page 26.

ENVIRONMENT

Common ground over West... — Page 27.

RESOURCE DEVELOPMENT

The BNZ site and the "Green... — Page 28, 29.

HEALTH

The plight of Pacific patients... — Page 30.

SCIENCE AND TECHNOLOGY

New Zealand breakthrough in... — Page 31.

THE POLLS

What Rob Muldoon stands in... — Page 36.

NATIONAL BUSINESS REVIEW

NZFP-APM branch toward rationalisation

THE joint venture company set up between New Zealand Forest Products and its Australian counterpart Australian Paper Manufacturers Ltd, may be the springboard to an eventual merger of the two.

The new company is small. At first it will concentrate on technical and research and development matters. But industry sources see it as a significant move towards a major trans-tasman rationalisation within the forest industry.

An eventual merger of the companies would provide a virtual model of vertical integration. NZFP is strong on pulp; APM specialises in high-quality papers.

The move is also timely in view of the predicted boom in forest resources which will occur in the late 1980s.

Sonic 60 per cent of the planted timber in this country is less than 10 years old — but when it comes on line the latest technical links will be particularly important, as will the plans for greater marketing co-operation between the two.

NZFP is planning a major pulp and paper plant at Marsden Point and this expanded production capacity could provide APM with the raw material it needs.

New Zealand, and NZFP, is a major exporter of pulp and paper, while Australia is a net importer with a relatively low level of sufficiency.

Almost all of NZFP's pulp sales — 130,000 to 135,000 tonnes at full capacity — are exported, and some 60 to 65 per cent of it goes to Australia (mainly to APM) and to a lesser extent to the Philippines.

The joint company to co-ordinate engineering activities between APM and Forest Products was announced last week.

The company would combine engineering activities and work in technical and research and development and new product development, according to a statement from NZFP.

It would aim to procure the best results through access to wider and better technology.

It would also be involved in the extension of joint overseas

marketing which has now been operating successfully for the last year. The companies have joint sales offices in Hong Kong, Singapore and Kuala Lumpur.

NZFP managing-director Doug Walker said the new company was an indication of the increasing co-operation between the two and recognition of the advantages both saw in rationalising certain activities.

The company will have a capital around \$50,000. Directors will include the managing directors of the two companies, two company representatives and the managing director of the new company — a position that will soon be advertised.

The two companies have co-operated informally to solve manufacturing and technical problems for several years. This latest move was a formalising of that arrangement, Walker said.

The two companies have also traded together for a number of years. NZFP supplied APM with 20,000 tonnes of wood pulp to make multi-wall bags.

And NZFP's Australian customers have been supplied through APM sales contracts for a number of years. Last year joint sales offices were opened.

Over the next decade, considerable increases in wood will become available, particularly in this country, but also in Australia. Walker said the new company would look at the development of new products to utilise the influx.

The two companies' products are largely complementary. The Australian products are based on their softwood and local products are based on hard wood.

NZFP imported APM products during the shortfall caused by last year's Kileleth strike.

Walker said the new company would, to some extent, facilitate the pre-emption of APM products in this country. That company's products are complementary to Forest Pro-

ducts' but because of import licensing, Walker said, it was "not entirely in our hands."

Asked if the formation of the new company signalled the beginnings of a greater sharing of interest, Walker said: "That's really speculation. That's not what we've been discussing and there is no plan to. If that does happen in the future that will be the subject of new discussions."

APM — with the small Associated Pulp and Paper Mills — accounted for 54 per cent of Australia's total pulp production and 81 per cent of its paper and paperboard production (excluding newsprint) in 1978-79.

NZFP is protected against imports and its pricing on the domestic market is on a cost-plus basis. APM's margins, in contrast, tend to be squeezed by cheap imports.

NZFP plans to build an integrated pulp and paper mill in Northland (to be in production later in the 1980s) to manufacture mechanical pulp for feeding back into the paper mill, where lightweight coated papers for printing and stationery will be produced.

Walker said the Northland project would certainly involve the new company's expertise. Extensive modernisations at Kileleth would also benefit by bringing together a wider knowledge.

Walker last year, visited the Northland forests with the managing director of another Australian company, Associated Pulp and Paper Mills Ltd.

It was then reported that the company was interested in participating in the project, but that it was not yet committed.

The link between the com-

panies was then perceived by some observers as one which would provide further technical assistance and marketing co-operation in Australia.

Fletcher Challenge and NZFP accounted for 53 per cent of this country's total pulp production, all newsprint production and 88 per cent of other paper and paperboard production in the year to March 31 1980.

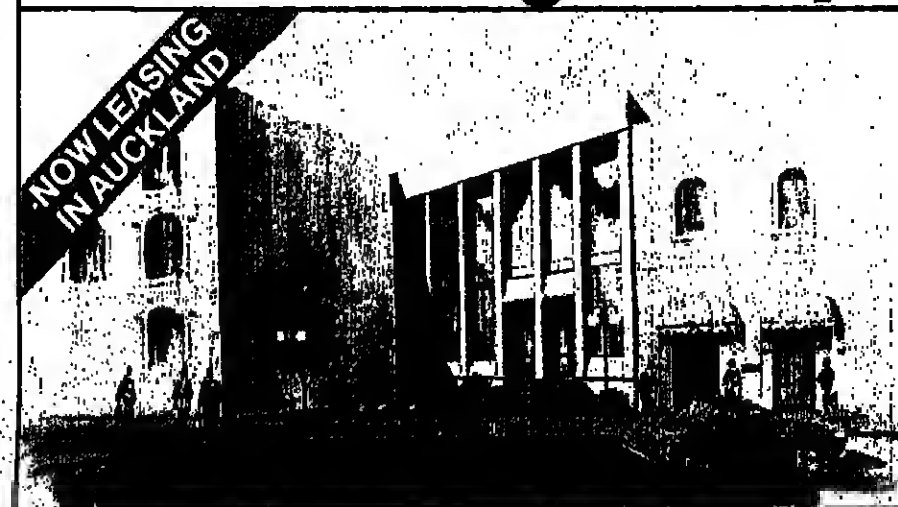
NZFP — the country's second biggest company since the setting up of Fletcher Challenge — specialises in pulp and paper production and has large forest resources and substantial unrealised potential.

APM alone is not in a position to become a competitive international pulp and paper company.

But it has recently added a specialised export-oriented No 4 Murray machine, proposes the expansion of pulp mill operations, and has had a good earnings record.

Continued on Page 12

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Boilermakers on boil

by Allan Parker

THE threat of boilermakers' militancy hangs over Taranaki like a billion-dollar sword of Damocles.

The spectre of industrial anarchy on the major energy-based project sites and in engineering workshops is seriously concerning employers in the district.

They fear that an outbreak of industrial trouble similar to the Bank of New Zealand building and the Mangere Bridge disasters will halt the projects in their tracks.

If that happens, downstream contracting work for the projects will dry up — along with the promised national benefits from the developments.

The managing-director of a multinational company heavily involved in the energy-based projects agrees: "If you get just one dispute on the site of one of these projects, you can kiss goodbye to the lot. It'll only take one and the multinational won't want to know," he told NBR.

Continued on Page 28

Creditors keep Pacific Forum Line afloat

by Rae Mazengarb

THE floundering Pacific Forum Line is being kept afloat by its creditors, major charter hire and container leasing companies.

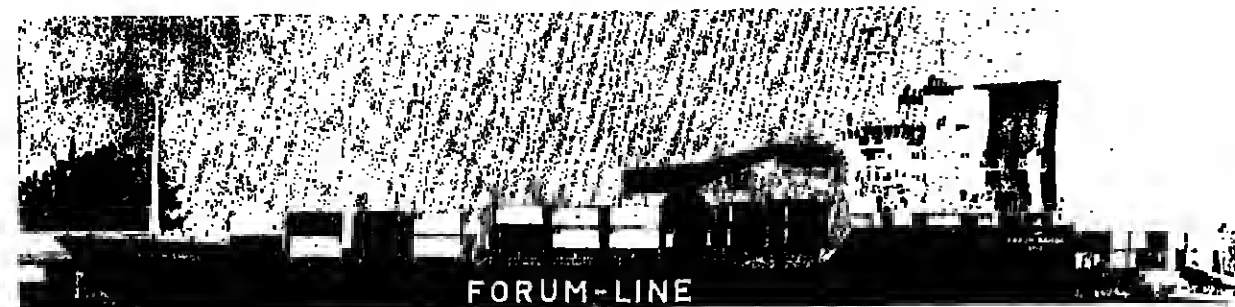
One company alone is owed nearly \$1 million, according to NBR sources.

They say the fact that the governments of New Zealand, Australia and the Pacific Island states are backing the line is a major factor behind the companies' willingness to extend credit.

But more important, one industry source suggested, "no one wants to pull the rug from underneath the line."

PFL has lost money ever since it began operations in 1978 but with a deficit now running around \$9 million, it is in danger of collapsing.

Prime Minister Rob Muldoon said last week the line's



FORUM-LINE

dissolution would have a catastrophic effect on Pacific shipping services, but without further contributions from the forum countries, it could not continue.

Shipping sources agree that freight rates — too low to cover costs — have been responsible for PFL's plight, and increases of between 12 and 15 per cent from May 1 this year could be just the beginning of a gradual levering-up.

A formula to eliminate the debts was agreed to at the Commonwealth heads of government meeting in New Delhi last year.

New Zealand and Australia would both contribute \$4.5 million, but Australia's contribution was to be countered by a comparable reduction in its Pacific aid.

This caused Fiji to refuse to proceed with the arrangement, although some of the island

states, released a small contribution late last week.

In the meantime, the line, which runs three ships, is short of cash.

Sources say it is already behind in its charter costs — around \$12,000 a day.

One of its ships is chartered by the New Zealand Shipping Corporation, which in turn sub-charters it to PFL.

While the Shipping Corporation is continuing to meet its

own payments promptly, it is understood, the Forum Line is not. Moreover, if the line folds, the corporation could be left with the problem of finding an alternative use for the vessel.

The Forum Line is also behind on payments for its container leasing, around \$10,000 a day. Thus container leasing companies are supporting the line's cash flow.

Seatrans Consolidated (NZ) Ltd is owed a "very large sum," according to container manager Phil Hicking, though he preferred not to say exactly how much.

The line had short-term credit problems, he said, but his company was confident things would come right, and would "hang on in there," he said.

Hicking was not prepared to say how high his firm would be for the debts. It depended on the views of the principal company, Sea Containers (Australia), he said.

Another company, Container Terminals International (CTI), could be owed close to \$1 million by the line according to one source. But NBR could not contact the company for comment.

Smelter focus switches

THE focus of the smelter debate has moved from electricity prices to Australasian ability to compete in a volatile world aluminium market.

Government — with what Prime Minister Rob Muldoon describes as "the best available information available to anyone on the smelter" — has been asked by the South Pacific Aluminium consortium to put the smelter on the "fast-track" under the National Development.

But Otago University's Professor Paul van Moeske, in an updated study, says the world supply of aluminium could outpace demand in the early 1980s.

And Comalco, in its 1980 annual report said last week that Australian-made aluminium could be uncompetitive as early as 1985.

"Hydro-electric power developments in South America, Canada and Indonesia...lower labour costs,

better proximity to established markets and ready access to bauxite in those countries will increase competition," the report said.

Alcan New Zealand is looking overseas for its raw material because Comalco's local price now exceeds the world spot market prices.

Since last August, when price fixing was abandoned, the price of local ingot has increased twice because of the effect of currency depreciation.

Overseas, the international aluminium giants seem headed for a price-cutting war as months of market depression take their toll.

Fletcher's, the local party to the South Pacific Aluminium consortium, is still confident. Marketing spokesman Gern Brown said the cyclical nature of aluminium prices "will turn again as it has in the past".

Fletcher's would give no indication of where they intend marketing aluminium.

The week in brief

AUSTRALIA'S Foreign Affairs Minister Tony Street warns that the Springbok rugby tour could wreck the Brisbane Commonwealth Games.

RUGBY Union chairman Ces Blazey reaffirms the tour invitation and pro-tour supporter Ron Don is re-elected to the union's ruling council.

BRWBERS are seeking another price rise, which will see beer prices up by more than 60 per cent in less than a year.

PRIME Minister Rob Muldoon scuttled suggestions of major tax reform in this year's Budget. Small changes, including a cut in personal income tax could be expected, he said.

THB Government discounts rumours that price controls on petrol are about to be lifted.

THB Labour Party's Titihi Bay branch passes a vote of no-

confidence in their MP, Porirua's Gerard Watt.

BARBADOS court rejects British train robber Ronald Biggs' plea that there was no case to answer in hearing of extradition application brought by Britain.

GOVERNMENT raises \$200 million revolving credit through the issue of underwritten by a consortium led by Citibank.

MONDAY: Yates AGM, Auckland.

TUESDAY: Tolley AGM, Wellington.

WEDNESDAY: Minister leaves for April 21.

THURSDAY: Council conference, till Saturday.

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Winemakers get first, only look at secret study

by Warren Berryman

THE Ministry of Agriculture and Fisheries has released key information from its five-yearly grape study to the Wine Institute and to a number of viticulturalists only after they agreed to keep it secret.

Only vested interests which stand to benefit from the Government's soon-to-be-announced protectionist policies for the wine industry have a copy.

Cabinet met last week to make its final decisions on the Industries Development Commission's report on the industry: it is expected to ignore IDC recommendations which would foster greater competition against imports and give a better deal to consumers.

Informed sources say the wine industry did not use the information contained in the secret report when it lobbied the Cabinet to water down the IDC recommendations. They suggest this information might have been of use to consumer interests.

But the public won't be given the information until next month. By then it may be too late for consumer interests to

use the publicly funded facts to argue against measures which are expected to allow the wine industry to charge even higher prices for its product with little competition from imports to hold prices down.

The IDC based its wine industry plan on the previous five-yearly grape survey. It may update its proposals in light of the information given to the wine lobby.

But it has not yet been given a copy of the ministry report.

The ministry in Wellington has a copy of the study, but its senior viticulturalist in Auckland, a major wine-making district, has not been given a copy.

The information is being handled by the ministry's advisory services director, Don Wilson.

Wilson said the Wine Institute was given the information because it was involved in discussions with the Government on the IDC report. It was given on a confidential basis, he said.

Wilson said he was writing a final report, interpreting the findings. Only when this was finished would the raw data be

released to the public, he said. "We want to avoid confusion. We don't want one person interpreting our figures one way and another person interpreting them another way. We want only the official figures released," he said.

The study had been released only to those with "important interests", he said.

NBR suggested that wine drinkers were important interests with as much right to taxpayer-funded research as a lobby group. But Wilson said the press and public would have to rely on press releases when they became available.

The five-yearly grape report details areas and acreages planted and the types of grapes.

Past shortages of grapes have increased prices. The wine lobby has used those high grape prices to justify its high wine prices.

Grape shortages corresponding with a growing demand for wine also led to the practice of watering wine. The Government bowed to pressure from the wine lobby to legitimise this previously illegal practice.

New Zealand wines have increased in price three times faster than Australian wines over recent years.

The wine lobby has been pressing the Government to further restrict access to cheap Australian wines.

The IDC's initial industry plan was designed to give the wine consumer a fair deal while providing a long-term growth plan for the industry.

But if the Government revises the plan as sources expect, consumers will be given less choice and the industry will be allowed to continue boosting its prices with little competition from imports.



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This so that starting with your next flight you need remember only one thing: the name of our airline.

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The week

Fishermen angling for a 'Fishgrow' campaign

by Allan Parker

COMMERCIAL fishermen - angry at what they regard as poaching of their waters by overseas trawlers - are launching a "Fishgrow" - type development campaign to protect local interests.

The aim is to present the fishing industry as a valuable export-earner and job-supplier, similar to the recently concluded "Agrow" project in which the nation's farmers promoted their position as the leading export-earner.

Both campaigns reflect growing unease about the Government's "Think Big" policy and moves towards increasing industrialisation of the economy.

But in the fishermen's case, the share of the fish take given to overseas fishing interests through foreign licences and joint ventures is a major fish-

hook in the development of the local industry.

The Federation of Commercial Fishermen maintains that although the Government has recognised fishing as an economic growth area and promised continued growth to benefit local fishermen, the application of the growth strategy is "not conducive" to this development.

It points the finger at foreign licensed vessels (which "still take by far the largest proportion of our catch") and joint ventures ("The catch... is now in excess of the domestic fleet as well").

These quantities could equally be caught by the domestic fleet, the locals say, and Government should be moving towards this end.

Proposals by the commercial fishermen that would encourage this include:

- A fish marketing representative in Australia, a sophisticated market which will "remain our best potential";

- Continued efforts to develop new markets, including recent efforts in Europe and the Middle East;

- Provision of a "long-overdue" training vessel.

The local industry also supports a newly developed concept of regional fisheries management plans for specific areas.

The fishermen are also anxious to see some new financial incentives to encourage greater New Zealand participation in the industry.

These include:

- A short-term Government subsidy because of the current marginal return on many species;

- A daily tax rebate (\$5 a day is suggested) to compensate for the long hours at sea and lack of overtime or shift allowances;

- Extension of the 40 per cent investment allowance to include Lloyds A1 certified second-hand, first-entry vessels which are suitable to replace existing joint venture vessels;

- A vessel buy-back scheme to compensate for vessel displacement that would eventuate from the regional planning concept.

Because fuel is now the major cost of operating a fishing vessel, the locals would like "immediate" research to reduce diesel consumption and find alternative fuel sources.

"Concessions should at least be available to encourage trawlers to fish the distant waters rather than the resource close inshore," the proposals argue.

Citing British and United States precedents, the commercial fishermen suggest that export fish caught more than, say, 12 hours steaming from the port of discharge could qualify for an export subsidy which would be considered as a fuel subsidy.

They regard a separate Minister of Fisheries as "essential" as well as a separate caucus committee on fishing "which meets on a regular basis".

Air NZ 'cannibals' eat into travellers' time

by Rae Mazengarb

ONE Wellington businessman is far from impressed with the consequences of Air New Zealand cannibalism (strictly of the engineering variety).

He was among would-be passengers at Auckland airport last Monday who found their early-morning flight cancelled, without explanation.

The flight had been fully booked, and great numbers of businessmen turned hostile as

they rushed for phones to cancel appointments.

The Wellington man was put on to a later flight - flight 411 - and found his seat double-booked. To add insult to injury, that plane was delayed 75 minutes.

The traveller fumed when an equally unhappy Air New Zealand employee told him the plane was being cannibalised for a part, needed for the Boeing 737 the airline had just sold to Air California.

A "non-leaky bit" off the

domestic flight had to be swapped for the "leaky bit" off the Pago Pago-bound flight, the passenger was told.

Air New Zealand public affairs officer John Berry told NBR there was "a fair element of truth" in the tale.

The company had sold a Boeing 737 to Air California, he said, but a fault in the fuel-flow meter was detected just before the plane was due to fly out.

The measuring device was a pilot aid which had to be fixed for the long flight to Pago Pago

and on to Honolulu, and, for crew reasons, the airline was running out of hours, so it was decided to switch the parts.

Berry said that, in hindsight, the delay for flight 411 of 75 minutes was not acceptable. It was regrettable that the task had not been as simple as first thought, but someone had to make a decision, he said.

Flight 411 was the only plane affected by the incident. Other schedule problems were caused by "one aircraft on the blink," he said.

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Editorial

INFORMATION is the currency of democracy. It is also fundamental to fostering healthy competition and promoting efficiency in a free enterprise economy. And last week, consumers whose capacity to choose is handicapped to the extent they are denied information about what is happening in the marketplace, won one minor victory (on the import-licensing front) but lost another as a few bureaucrats and lobby representatives clung to confidential data which may be relevant to Government decisions that will determine the future shape of the wine industry.

For years, consumers have paid high mark-ups for goods imported under licence. The identities of the beneficiaries of that system — the business people who are granted licences which guarantee them easy profits — and the policies which determine the granting of licences have been kept secret. Trade and Industry Minister Lance Adams-Schneider firmly upheld the principle of confidentiality, and therefore that the public had no right to know how the system worked, who was profiting from it, and for what reasons one applicant might be granted a licence when a competitor was not.

Typically, in April 1978 he reacted unapologetically to increasing public pressure for details of the fortunate holders of scarce licences to be made available more readily: "Today 75 per cent of the total value of private imports is exempt from import licensing, so all the fuss is only about the remaining 25 per cent" [a 25 per cent that happened to include consumer items where mark-ups were huge].

In those days, the Minister insisted that there were "very, very real difficulties in maintaining the secrecy needed for an applicant's business if details of the licences are published". Submissions to the department had to be kept confidential so that the development and marketing strategy of a firm was not disclosed to business rivals, he argued. He was prepared to introduce only an element of reform — he would say what the total allocation for the country was in a specific item code, but he would not break down the codes into individual licence-holders and the value of their licences.

So who was influencing the Minister? Not the public at large, but lobby groups; the Manufacturers Federation and the Chambers of Commerce did not favour revealing the individual licence holding of each firm [the Retailers Federation did], and they were the people most concerned. Until they agreed, the Government could not divulge details of individual businesses.

Adams-Schneider maintained in defence of secrecy that "there would be chaos" and the pressure on the Government from those seeking to benefit from import-licensing knowledge "would be immense". Presumably, he is now prepared to accept at least some "chaos". Last week, he said total secrecy in import licensing could no longer be sustained. He told the Bureau of Importers and Exporters that import licensing must be considered in the light of more open government becoming one of the most significant issues of the era. And he eluded the opening in public for the first time of import licences put to tender. The reform isn't a major one; it covers only a tiny percentage of total licences. Nor has it been introduced

in response to public demand. Rather, the Manufacturers Federation now favours full publication provided the department protects information about individual licence holders where disclosure would seriously affect the viability of specific businesses.

On the darker side, Cabinet has been deliberating on the Industries Development Commission report on the wine industry. Under pressure from the powerful lobbying of the Wine Institute, it is expected to water down the report [which recommended substantial changes to the retailing, taxing and importing of wines in an effort to curb "consumer resistance" to rising prices, and make the industry an efficient contributor to the economy].

The IDC development plan, in a nutshell, aimed to contain costs through increased competition in the domestic marketplace and from imports, to enhance export competitiveness, and to benefit the consumer. The report concluded: "The success of the plan should and will be measured by the extent to which its intention is accepted and implemented by the industry, not by the capacity of the industry to frustrate it."

Already the Government has ruled out one proposal — the sale of wine in supermarkets. Thus the so-called free-enterprise party, in yet another expression of paternalistic concern for consumers deemed incapable of deciding for themselves what is good for them, has determined where the public must go to buy wine. Next, it seems likely to decide whose wine the consumer must buy and at what price.

The Wine Institute wants the State to force the consumer to buy expensive local

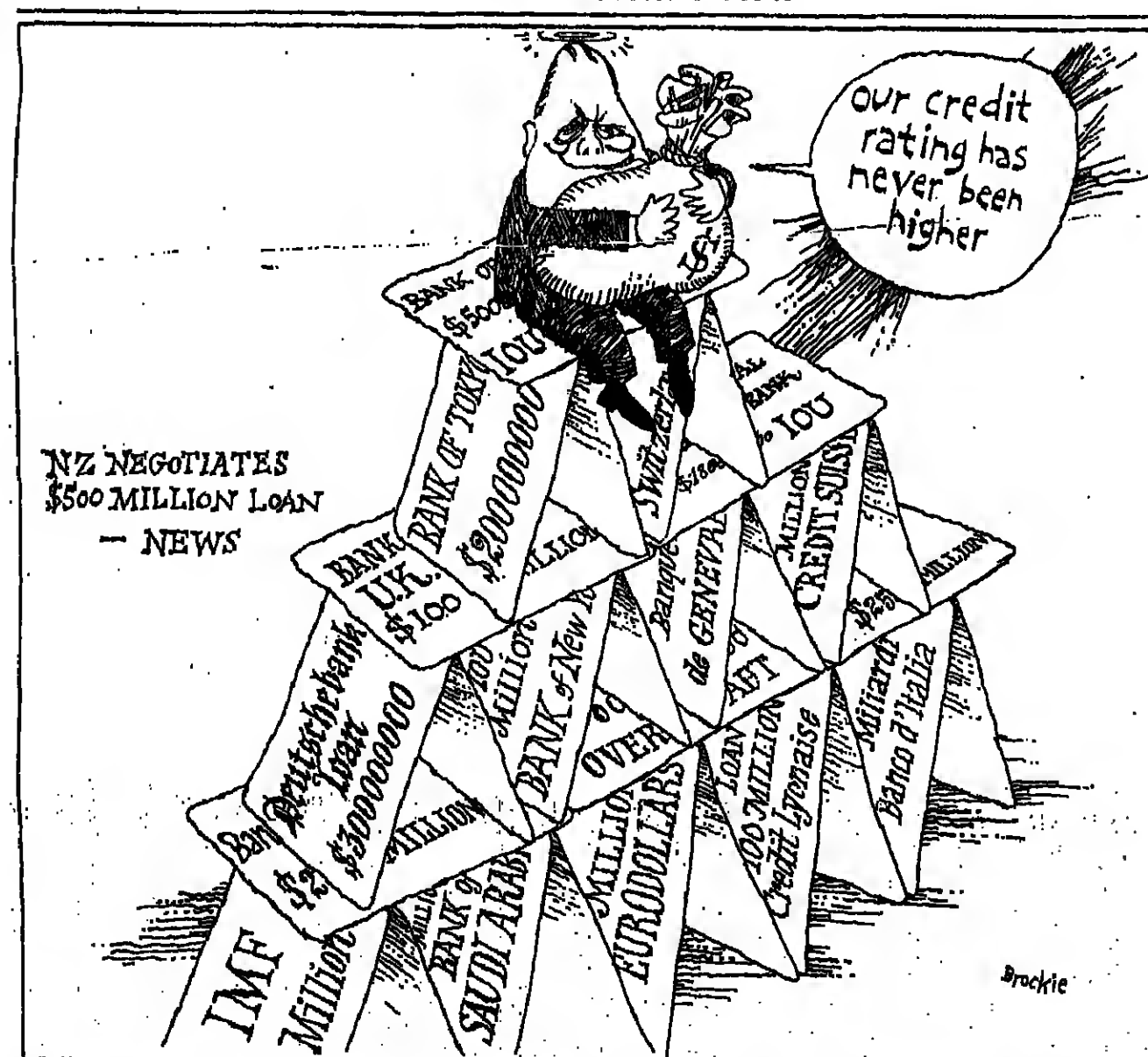
product by restricting import licences or pricing imports out of the market with high duties. It is particularly worried about the Australians, who have been producing wines at low prices with which the local industry would be hard pressed to compete in a free market situation. The IDC wants to reduce the duty on lower priced wine and increase duty on higher priced imports to force the wine industry to improve the quality of its product.

Last week NBR learned that important information from a Government survey — a five-yearly report on grape crops — has been given only to the wine lobby. This means that a few Ministry of Agriculture and Fisheries officials and the wine lobby had a monopoly on those facts at a time when Cabinet was meeting to make its recommendations on the IDC report. The news media, wine consumers, the IDC — even the ministry's own viticultural experts — have been denied equal access to information which they paid for with their taxes. One of the reasons: their interpretations of the data might differ from a bureau's "official" interpretation.

Government justifies its secrecy in terms of the public interest. In the case of its secret grape report, the so-called public interest has been arrogantly narrowed to exclude all but selected vested interests and a few bureaucrats. Immediately, the consequences are to make more likely the victory of the wine industry over the IDC. Beyond that, the consequences will be felt in the pockets of consumers.

Bob Edlin

Brockie's view



Brockie

Without word of a lie

Chambers charade

THE Chileans would like to trade more with this country, but the FOL ban on trade has hampered growth. So, a member of the Chambers of Commerce sought to, put the situation right, round the dinner table.

He asked a prominent trade unionist, an old school friend, to dinner. When confirming the date, he mentioned that he had also invited a representative of the Chilean Government.

The unionist objected and said he could not come. The old boys network prevailed and the Chilean was put off.

Studied response

SOME might want to get shot of their chairman but television employees keep close tabs on their minister. A telex to the Hon Warren Cooper went astray and appeared on the Students Association telex. The students telexed Avalon: "Sorry but we do not have this person here. He is your minister, please orange delivery."

The reply: "A Hon Warren Cooper was not found at Avalon TV, but Parliament. Message delivered."

Frank answer

THEY may not sell all that many copies but can't fault the people running *Weekend Dominion* for not trying.

A recent billboard for the paper shopkeeper Greg Chappell will visit New Zealand. A question that prompted NBR to outlay 20 find out: Answer: A three-paragraph story the shock, horror opening: "Controversial Italian cricket captain Greg Chappell will be the speaker at the annual Qantas press conference in Auckland on April 25." End of explanation: a blinding insight into how the *Dominion* great issues of the day.

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What about an energy plan for big users?

by Nigel Isaacs

FACED with an apparent surplus of electricity and natural gas and a real balance of payments crisis in the late 1970s, the Government's knee-jerk reaction has led to the "think big" energy — initiative projects.

With so many big energy-intensive projects on the drawing board an energy deficit looms large. Even the Delphi Oracle would predict that in a few more years "planning" will lead to yet another surplus.

This "think big" mode of the planners was apparent in the 1980 Energy Plan from the Ministry of Energy, with references to the loss of the "surplus" and the need for skilled personnel. The liquid fuel scene is even more worrying, with a surplus of petrol alternatives (assuming the Mobil synthetic petrol plant is ever built), a

deficit of diesel and a surplus of all the fuel oils. If Government has a coherent energy plan, it is not revealing it to industrial energy-users who would like to know which way the state will jump before committing themselves to energy planning of their own.

Over the past six months, the Trade and Industry Department (co-funded by the Energy Ministry) presented a series of seminars on "alternative energy supplies for industry".

Obviously, these seminars were intended to enlighten industry. But industry remains in the dark — patently paternalistic by big Government and told nicely that Cabinet would make the decisions.

Energy Minister Bill Birch organised a seminar last October, setting the tone for future Government — industry — energy conservation relationships.

Birch opened that seminar saying: "Monday is Cabinet day and I will be in more trouble if I miss that than missing this seminar." The seminar was closed with Energy Secretary Bill Duncan saying: "... even if nothing else happens as a result of this seminar all present have learned something."

Government's interest in large-scale corporate socialism applies only to fuel production. The prospect of alternatives does not receive the same attention. But the alternatives keep coming, almost regardless.

There can be little doubt that industries interested in alternative energy supplies are benefiting from the cost savings, but most would be happier if they had been able to achieve these savings with assistance, rather than impedance, from the various non-energy Government departments.

The Hikurangi Dairy Company would be a prime example. Jan Mortenson presented figures at the Auckland alternative energies seminar which showed that if his company had remained on oil, current fuel costs would be 11 cents per kg-product. Coal costs would be 5 cents per kg-product, while their current wood system costs them 1.8 cents per kg-product.

Yet the project was not supported by specific Government incentives — the dairy co-operative, being non-tax paying, cannot benefit from tax incentives.

Biogas faces similar problems. Biogas is a gaseous fuel (basically natural gas) produced from anaerobic digestion of plant or animal waste material. The process is particularly attractive to intensive livestock operations, because it effectively processes the waste manure into a fertiliser which can readily be spread.

Interest has been high in the South Island, particularly in the potential as a transport fuel. Inland Revenue has given some users difficulties with its acceptability under the 100 per cent tax write-off. The Ministry of Energy has largely left it alone.

Yet it is now possible to go from Invercargill to Kaitiaki on "compressed biogas" (CBG). CBG

basically is equivalent to CNG, and its availability means that at least some parts of the south can benefit from CNG promotions.

The capital cost is not low — \$20,000 for a 45,000-litre digester plus \$13,000 for compressing and processing plant would produce the equivalent of 20,000 litres of petrol a year, which is enough for about eight well-used vehicles.

Even the solar water heating Cinderella has not taken off. Bruce Reddell, chairman of the Solar Equipment Manufacturers Association, announced that a recent Auckland survey had shown only 4 per cent of the population even knew about the Government's \$500 interest-free loan for domestic solar water heating installations. He pointed out that while New Zealand-made solar equipment was selling well on the international market, it lacked strong local support.

Roy Bensman, a long-time solar researcher with the DSIR, was surprised that small industrial users, faced with high electricity charges for relatively small water heating problems, had not embraced solar heating for ablution blocks and cafeteria use.

Both Reddell and Bensman were certain that solar water heating suffers not from a lack of theoretical research, but from development through use.

Government support for these alternatives has been largely given through the Ministry of Energy. Yet the lack of a coherent policy has meant that both industry and other Government departments have suffered from indecision.

Particularly in the case of liquid fuels, there is a need to decide why conservation is not at least as important as production. The production of petrol alternatives (via the refinery expansion, Mobil syn-gas, LPG, CNG) has been receiving tremendous funding support. Now that the motoring public is satiated, perhaps other oil users could be satisfied.

Nigel Isaacs is an Auckland energy consultant specialising in alternative energy sources.

Without word of a lie

Food for thought

THE PM is taking this freedom of information thing to heart, it seems, and while still sitting tight on the important stuff (Treasury economic forecasts, and so on) he at least seems keen to ensure that the public can share in the lighter side of his work.

Example — a press statement dated April 1 which may be significant) which solemnly records: "The menu for last night's dinner at Fogel House, where the Prime Minister and Mrs Muldoon were host, and the guest of honour was His Royal Highness The Prince of Wales, was: Chicken Bouchee, creme of asparagus, poached Walrus salmon with hollandaise sauce, roast prime Ribeye Beef with horseradish sauce, brussels au beurre..." And so on through to the tea, coffee and milk.

If your daily newspaper didn't run it and you are anxious to learn what was served up that night, we suggest you write to the Prime Minister's Department.

You'll get the menu. The more interesting question of who served up what by way of dinner conversation will be a bit more difficult to extract.

restaurants but the Chinese waiters do tend to stare when you ask them to remove the bread and butter and bring you chopsticks."

"Many Australians do not realise that New Zealand is far more expensive than Australia, meat and dairy products being the only items comparable with our prices. Almost everything else is often two or three times as expensive."

He does allow, however, that much of the country is "breathtakingly beautiful", and says that Australians will find it a nostalgic sort of place to visit. "The Australia of our childhood was quiet, conservative and Anglo-Saxon. Although we might pride ourselves on our developing sophistication, it is difficult to deny the nostalgia which New Zealand evokes," he says.

"It is the last picture show, without the tumble weed and dusty streets. The theatre is not about to close but the movie is likely to stay the same for some time to come."

Muppet Muldoon

WITH due decorum and pin-striped etiquette, the leads from Foreign Affairs dragged a suitable number of New Zealand expatriates to meet Rob Muldoon after his visit to the United Nations General Assembly in New York last year, we belatedly hear on our grapevine.

But the meeting was marred by the German husband of a Kiwi citizen who, on meeting our esteemed leader, said: "hello, Mr Piggy". Sensitive to sudden changes in mood, a Foreign Affairs staffer overheard the German explaining his gaffe. Seems he acted from ignorance, not malice, never having heard his Kiwi friends refer to our Rob as Mr Muldoon.

WASPish stings

FEW readers of the *Melbourne Age* would have been lured across the Tasman for a holiday after reading "New Zealand, Warts And All" — a feature article on Banzai in the paper's travel section.

Some of writer Alex Pazakas' comments:

"Despite a large Maori and Islander population in the North Island, New Zealand is an overwhelmingly WASP country. It lives, sleeps and eats accordingly."

"Plenty of good steakhouses are around, and some of the larger cities have a few ethnic

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Gerry Van Der Wal, L.J. Catering Ltd., Box 9389, Hamilton. "Inquiries from real estate agents are most welcome."

Letters

The economic answers

I READ with interest your article: "Wage reduction diagnosed as unemployment cure" (NBR, February 16).

From observation and reading I believe that a package of measures is needed to cure any of our present socio-economic ills. One measure by itself is likely to have certain disadvantages, and wage reduction on its own in my opinion would fall in this category.

For measures to successfully cure unemployment, they must lower the cost of labour and raise the price of imports, which, I believe, would together (a) cure unemployment, (b) improve our overseas trade balance and (c) reduce inflation.

(1) Reduce all wages, salaries and taxable benefits to the present after-tax level for single people without dependants, with government to supply a

benefit for dependent spouses; (2) Abolish all personal income tax and corporate tax; (3) Abolish all export incentives and other subsidies; (4) Charge a tax on purchase of overseas funds to take the place of lost government revenue.

I look forward to reaction on the above by your readers, particularly economists.

Gerard van den Bemd
Auckland

Taking a flutter

YOUR editorial by Bob Edlin (NBR, March 30) touches the hearts of all of us who pay taxes to see, in dismay, that the State is not consolidating our future with the money but actually gambling with it.

Bob Edlin's point about the business risk of the second aluminium smelter is amplified when one sees that the Government is using tax-

payors' money to drill for oil around the country. The question of whether the Government finds oil or not is irrelevant — the gamble is still formidable.

The Government might just as well (and may yet) try the tables at Las Vegas or Monaco on our behalf.

T J Brow
Wellington

Challenge for Socred

INTENTIONALLY or unintentionally, the *National Business Review*, particularly the writings of Colin James, are promoting Bruce Beetham as future Prime Minister of New Zealand. Indeed it is within the range of possibilities that Social Credit may control the administration of government after 1984. That might be a good thing for our country.

National and Labour are

bound into orthodox economic theory. High interest rates are inflationary, not deflationary as the orthodox claim. Orthodox theory is strangling industry in the United Kingdom. It has led to world-wide inflation and growing unemployment.

Fourteen years ago in a series of articles in the *Bay of Plenty Times* I set forth the obvious fact that we were then heading for the economic mess which we are in now. In one of those articles, published November 23, 1967, I said:

"If we go along with the kind of thinking on which the Minister of Finance relies we will limp along from devaluation to devaluation, inflation on top of inflation in spite of squeezes."

I also said in that article: "High interest rates are fine for wealthy bankers. They are no good for New Zealand. Traditional interest rate theories are only part of traditional economic ideas which are askew of the real facts."

That article also pointed out: "The same kind of thinking is evident in Mr Muldoon's recent statement (after conferring with the International Monetary Fund) that interest rates here would be permitted to rise."

In 14 years, Mr Muldoon has not learned anything. He and his colleagues are too long in the tooth to learn anything.

Since Mr Beetham became leader of Social Credit, he and those around him have been learning. Are they young, intelligent and perceptive enough to continue to learn enough to govern New Zealand by 1984?

John R Perkins
Tauranga

Where do they all come from?

I CAME across some interesting information on the alleged increase in unemployment which may interest your readers.

According to Table 1A of the statistical supplement to the Department of Labour's *Labour and Employment Gazette* dated December 1980 there has been an increase of people in full and part-time employment of more than 80,000 in the past six years.

I understand that there has been no increase in our population during that period (indeed I have heard reference made of "massive" emigration to Australia *et al.*).

Perhaps somebody could enlighten me as to where all these so-called "extra" unemployed people we hear of, have come from?

R E Upton
Wellington

Socred stance on disruption

IN a recent letter to *National Business Review*, Ross Arm-

strong criticises the Social Credit Political League for alleged indecisiveness during the recent period of industrial disruption. This is simply not true.

In a detailed statement dated February 27, 1981, the Social Credit spokesman for industrial relations, in consultation with Bruce Beetham and Gary Knapp, outlined Social Credit's position in regard to the disruption. This statement was seen several weeks ago by the 85,000 readers of the *Guardian* newspaper.

I am sorry that Mr Armstrong's local paper did not pick up the story, but that is no reason for Mr Armstrong to mount a letter-writing campaign accusing Social Credit of silence.

Steven C Darnold
Alexandra

Our slipping standards

IN a recent letter (NBR, April 6), J V White criticises your economics writer for failing to give evidence to support his contention that New Zealand's standard of living has dropped. Then Mr White quotes a growth rate of 1.1 per cent between 1973 and 1979.

At first sight Mr White's choice of years is perplexing since it includes three years under a Labour Government. But all is revealed when one looks at the January *Ross Bank Bulletin*.

There one can see that in 1978 New Zealand had a growth rate of -1.9 per cent and in 1979 a growth rate of -4.4 per cent.

It appears that Mr White had to go all the way back to the years of the last Labour Government to end up with a decent average growth rate.

Tut, tut, Mr White.
Steven C Darnold
Wellington

Mortgage details

IN an article about New Zealand Land Securities and the takeover bid by White Haven, (NBR, March 9), we referred to a mortgage advance of \$112,000 to Trent Holdings Ltd.

Stating facts recorded on files at the Companies Office, we commented that NZLS (Properties) Ltd appeared to have lent the money when it was a subsidiary of NZLS and backed up by guarantees provided by NZLS; then the mortgage was repaid when NZLS (Properties) Ltd was owned by Beally Industries Ltd (now White Haven Holdings Ltd).

We also reported White Haven principal Richard Solomon's statement that the money was repaid to NZLS, not to White Haven.

We have now been informed:

• The short-term mortgage from Trent Holdings to NZLS (Properties) Ltd resulted from a property disposal.

• NZLS — as the parent company — funded NZLS (Properties) Ltd for the purpose of the mortgage.

• The investment was sub-mortgaged to the Perpetual Trustees Estate and Agency Company of New Zealand Ltd as trustee for debenture stockholders of NZLS.

• Trent Holdings repaid the mortgage on December 31, 1979, and the proceeds were passed direct to NZLS.

• The shares in NZLS (Properties) Ltd were not sold until two months after the mortgage was repaid as the company was a shell company at the time of its sale.

The inference drawn in our earlier article is invalidated by these points of clarification, which were not included in the public records.

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Politics

Socred can do no wrong — but for how long?

by Colin James

YOU'VE been a bit soft on us recently," said the Social Credit Minister.

"We're not used to it."

For a party once steeped in paranoia and conspiracy theories — and still given to indulgences from time to time — the absence of ridicule and newfound respectability is a bit unnerving.

The news media have been so only more attentive, but not so much as the Social Credit party, now often gets prominence and even favourable treatment.

This is no more than a reflection of the change in public mood.

A better to my young and impressionable university days

was said it was not possible to raise Beethoven's Fifth Symphony because public esteem of it was so settled and so high that the would-be satirist ended by uniting the satire.

There is something of the same uncriticisable quality about Social Credit now. It is incapable of publicly doing wrong. Attacks on it rebound on the attacker.

Everything it touches, no matter how tawdry, turns to gold in its hands.

Pointing out apparent logical inconsistencies in policies — for example, inflation-targeted savings versus guaranteed low-interest credit — which a complicated explanation has now been produced — has, for the time being, a glorious and pedestrian redundancy.

Style counts more than politics at the moment.

For as long as the league has had projected on to it by disgruntled voters an image of potential haven from troubled times the older parties have been perceived as incapable of, unwilling to, navigate with will and vision, there has been a sort of willing suspension of belief about the league's policies and management ability.

So the Socred leadership has stayed relatively quiet policy. If voters are coming the way without your saying anything, why draw attention to anything which may accidentally turn them off?

This is not to say Bruce Beetham and Co have not made statements of policy on the issues of the day. Allegations to the effect by National and Labour are simply not true.

But National and Labour have been correct to the extent that such statements have been unshadowed — and I think deliberately so — by excursions into exactly what Socreds accuse the other parties of: tactical publicity manoeuvres.

Social Credit is proving adept, with a little help from deeply worried enemies, at blowing up what should be minor matters of the stuff of everyday party rivalry into major and probably vote-winning accusations of underhand methods and overbearing attitudes against the underdog party.

Example: Labour's pamphlet to the East Coast Bays by-election last year. Another example: Beetham's great high party caucus plans to undermine Social Credit. Government overreaction helped turn what should have been a one-line news story with one winning claim Social Credit, and one loser, dirty National.

It was noticeable that both Beetham and president Stefan Lipsa poured much of their speechmaking energy at the league's policy conference at Taupo a weekend ago into the politicking, rather than the policy, of politics.

Who is beating whom and where; accusations, answers and counteraccusations; the turbulent nature of the politics of the times and self-congratulation for past success; the froth of the swelling wave rather than the vision of the distant shores of a brave new world.

Beetham's rambling, bitsy, disjointed monologue was the most unimpressive I have ever heard from him. In another party he would have been deservedly savaged. Social Credit's traditional reverential tolerance of the idiosyncrasies of their leaders confined discontent to some prolonged fidgeting and a quickly snuffed attempt by 1930s veteran Fred Jordan, concerned at the lack of positivity, to get it discussed.

Lipsa's best line was negative, too: "Attacking Social Credit won't create employment, it won't create social wellbeing, it won't stop rising crime rates, it won't reverse our falling standard of living and it won't reverse the economy."

Exactly. For as long as people believe that the older parties have not the wit or the record of past success to hold out prospect of improvement, manoeuvres such as National's superficial little pamphlet attempting to debunk Social Credit — on exercise in facile assertion rather than convincing analysis — are irrelevant.

But the cynic would say that supporting Social Credit won't wave the magic wand either. There will come a time when riding along on a wave will not be enough and people will want to know where it is heading.

That time will come when the wave gets big enough to raise in enough people's minds the possibility that Social Credit may get its hands on the levers of power — as distinct from merely shaking up the older hounds.

My guess is that the very success Social Credit has been having in the opinion polls will position before the election the point at which voters will start to look at what Social Credit is, rather than what it is not.

And the policy conference showed that the league has some weak points.

The idea of this conference was that it would tidy up policy that could not be dealt with at last year's August annual conference — and leave this year's August conference as a wrangle-free rallying, springboard for the election.

The policy committee had been supposed to go off and produce, from branch suggestions, coherent, consistent recommendations for the policy conference — leading to a smooth rewrite of the manifesto.

Instead, the conference was faced with a hotchpotch of remits, many of which it promptly began to throw out or refer back to the policy committee.

Hostility also greeted a paper on health by a ring-in doctor. It was the amateurish league back again. Even the tolerant Social Crediters began to grumble.

Two important difficulties face the league.

One is the marrying of a heavy emphasis on individual freedom with a growing emphasis on the need for social justice. Frequently delegates prefaced critical comments on a remit with an assertion that they were in the league because it stood for individual freedom and the remit was interfering with that.

If there was a theme to the conference it was that the teachers and other do-gooders were threatening, through extravagant or poorly thought through promises, to expose Social Credit to attacks by their opponents.

That the tension exists indicates the party is in policy terms in the centre between social democratic Labour and private enterprise National. But, because of the populist nature of Social Credit's burgeoning support — a type of support that knows no ideological limitations — the span of different approaches stretches wider in each direction in Social Credit than in either of the other parties and the tension is correspondingly potentially less easy to resolve.

The second difficulty is in human resources. Social Credit is weak at its second echelon level.

The top half-dozen who have transformed the league in the past five years are maturing into highly skilled political operators.

And at branch level there are now coming into prominence some capable people, articulate and assured. Some of those were at the conference.

But in the middle at regional and national level, and overloaded with a large and growing burden of catering for a fast-growing movement, are well-meaning but by and large mediocre people from the leaner days. Until the new

breed works its way through from the lower levels, Social Credit will be vulnerable to spotlighting at that middle level.

However, all this is a bit premature. The high point of the conference was Beetham's hawking at the Prime Minister's expense over Social Credit's publication of National Party documents.

The Prime Minister had overreacted with imputations of illegality and Beetham made the most of it, mingling self-righteous anger, ridicule and veiled threats of legal action.

As this column went to the printer the affair began to look as if it might herald the return of Government weed-sowing — sowing the morale that had so improved since the pickets' business.

If it did, Social Credit can relax and laugh all the way to the vote bank. For the Government has a power of repulsion that, when exercised fully, far outweighs the dangers to Social Credit of spotlighting.



George Chapman ... now says Socred No 1 anarchy. (Watch this space next week.)

breed works its way through from the lower levels, Social Credit will be vulnerable to spotlighting at that middle level.

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Forestry

NZFP-APM branch out to rationalisation

From Page 1

There has been a steady growth in its pulp production over the past five years — from 238,000 tonnes in 1975-76 to 307,000 tonnes in 1979-80.

Nearly all APM's pulp production is used internally for paper and paperboard production. But the company has a long-standing commitment to export 3000 tonnes of chemical kraft pulp each year to South-east Asia.

APM imported 94,000 tonnes of pulp in 1979-80 — nearly a quarter of its pulp requirements. About 75 per cent of those imports come from this country under the Nafta agreement.

Tasman Pulp and Paper is the major supplier. NZFP is the next biggest.

APM and NZFP — measured in terms of market capitalisation — are of similar size. APM has a market capitalisation of \$334.3 million,

NZFP \$332.4 million (Fletcher Challenge is much bigger at \$484.1 million).

About 75 per cent of APM's softwood requirements come from its own plantations. In 1979-80, 88 per cent of NZFP's wood requirements came from its own forests.

In this country, pulp and paper is a priority industry, already specialised and export-orientated and given Government assistance.

The industry in Australia is

based on self-sufficiency, produces a wide range of products, and receives minimal Government help. It is a net importer of pulp and must compete for investment funds against the minerals and energy sectors.

There are other contrasts. The bulk of pulp and paper production in this country is concentrated in chemical pulp (556,000 tonnes in 1979-80), mechanical pulp (556,000 tonnes) and newsprint (319,000 tonnes). Australian production

is heaviest in paperboard chemical pulp (454,000 tonnes); paper other than printing and writing and newsprint (445,000 tonnes), and paperboard (421,000 tonnes).

The NZFP plant at Kilmaleith is strategically located next to abundant wood supplies. Many Australian mills have been established next to their domestic markets, often well away from wood supplies.

The small size of the

Australian and New Zealand domestic markets requires the large-scale, specialised plants orientated to export markets.

Based on abundant wood supplies, these large-scale plants will achieve the production economies of scale and reduced shipping rates which will enable them to sell their product profitably to rapidly expanding Asian markets.

by Klaus Sorensen

the proverbial Paris trader, the sharemarket is beginning to consist of the quick and the dead.

A sudden rash of mergers, takeovers and first-come-first-served bids has created the need for even ordinary investor to be on his toes.

Last week's Vacation Hotels

announcement is a prime example of this. The company, which has led a number of takeovers, has been a target for shareholders in New Zealand.

On the one hand there are the investors who are in a hurry to get out of the market — the people who are in a hurry to get out of the market — the people who are in a hurry to get out of the market.

On the other hand there are the investors who are in a hurry to get out of the market — the people who are in a hurry to get out of the market.

everyone would have realised the Auckland broker was, in fact, seeking 24.9 per cent of Vacation until the following day; he said the timing of the announcement was not under the control of the Stock Exchange.

The Brierley Investments share raid on Dominion Breweries last month falls into a similar category, where some shareholders can sell their shares at a healthy premium and others who are not so quick off the mark are missing out.

Brierley bought a 20 per cent stake in the brewery in about three days, though the so-called "small" investors were the major sellers as the institutions preferred to hold on and adopt a longer-term view of the stock.

Last year Goodman group bought 19.9 per cent of Watcote Industries on the market, and Watcote reciprocated by scooping up 24.9 per cent of the Lower Hutt Wellington food group.

Here again shareholders were able to gain a valuable premium over the market value of their shares, but inevitably some shareholders must have put their selling orders in too late.

New Zealand Land Securities is currently the subject of some speculative buying even though Whitehaven Holdings has reached around 80 per cent acceptance with its 25c per share bid. But there is still a buyer in the market offering 31c.

In this case the reverse has occurred — shareholders who have been slow to accept the Whitehaven offer are suddenly being rewarded for their sloth.

Some believe these buying offers underline the need for a better and more fair procedure of notification of a bid.

They argue that all shareholders should have an equal chance to accept an offer, and that too often the institutions are the main beneficiaries of buying raids.

But one of the fundamentals of the sharemarket is that it operates as an auction system. The less interference this cornerstone of the capitalist system receives, the better it operates.

Regulations which might delay the implementation of a bid — until every last shareholder has been notified — would work against the free market that has been developed.

A more suitable solution



Earle Stewart ... no control over timing.

as the 1980 figure, higher tax would mean a lower net figure. Cooks Wine, the other listed wine producer, had a similar tale to tell following its half year.

Discounting resulted in the December half-year profit being almost cut in half, from \$521,000 to \$289,000. Sales showed a slight decline, from \$3.6 million to \$3.5 million.

The sharemarket has anticipated tremendous growth in profits and dividends from these two companies, but over the past few months it has become clear their profits have levelled off, and it now seems the market's expectations will not be achieved.

Radio companies have suffered a similar problem.

Companies such as Hauraki and Avon have seen the astonishing growth in advertising revenue they enjoyed a cou-

ple of years ago slow to a very average rate. The doubled and tripled profits of two years ago may now have come to an end, and so, too, may the mouthwatering dividend increases of previous years.

But the radio companies claim they are being subjected to unfair competition from the state-owned Radio New Zealand.

RNZ has engaged in a ratings war with stations like Avon and Hauraki. But the private stations claim the state operator is spending uneconomic amounts of money to topple their high-flying competitors and that if each state station had to declare a profit, RNZ's "success" would be cost in a considerably different light.

Like the sharemarket, radio stations are faced with the dilemma of what is "fair" and what is "unfair" competition.

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Profit-share demand falls talks

by Allan Parker

NEGOTIATIONS to renew on-site maintenance contractors' documents for the Tasman and Caxton pulp and paper mills have been felled because of union demands that the maintenance workers get the same profit-sharing payments as Tasman mill workers.

Employer fears that what they regarded as a Tasman "sell-out" would lead to continuing downstream demands now appear justified.

The original Tasman agreement gave each of its 2800 Kawerau workers an extra benefit-sharing payment of \$400 a year. Shortly after, New Zealand Forest Products met its Kilmaleith workers' claim for a similar amount.

Now the maintenance workers want a similar payment from contractors who help maintain the Tasman and Caxton plants.

Employers refused this demand and the contract renewal negotiations broke down last week.

Said one employer source: "Where does it stop?"

The immediate employer concern is that a Tasman-type deal for outside contractor employees would flow into other shops and offices outside of the on-site mill maintenance area.

On a national basis, employers see "all sorts of dangers" in permanent profit-sharing arrangements.

"In the longer term, such profit-sharing deals will only be seen as part of the general wage packet," said one source.

"And if a company has to pay one year, will the employees take part in sharing the loss," he asked.

Although the forestry industry is most immediately concerned, the multiple effects could rapidly feed into other industries, throwing relations into chaos.

The dangers have not been lost on a Government spokesman. The Tasman deal was announced in reduced Tasman saw logs stumpage subsidy.

The industry itself is roundly condemned for "going it alone" with an agreement despite an industry commitment that any deal would be based on an industry consensus.

Industry argues that its arrangements related to productivity and profit. (NBR, March 2)

"The employers believe the fears that the deal would just be the thin edge of a broad-based sharing wedge are now correct.

The contractor employees claim would mean a 20 per cent hour payment to several hundred workers who, as employers, have been associated with such a arrangement.

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Matrimonial Act and home sales

by Rae Mazengarb

THE Matrimonial Property Act has been a major factor resulting in houses being put on the market in the case of marriage breakdown.

But it is not having a major effect on real estate turnovers. Nor is it likely the provisions of the Act are promoting marriage breakdown.

These are some of the conclusions of a report released last week by the National Housing Commission.

The report says more houses are coming on to the market after marriage breakdowns and at an earlier age, contributing to annual turnover in residential properties at a rate varying from area to area.

Over the whole country, it is probably less than 10 per cent of total turnover, however.

"There is very little evidence

to suggest that sales resulting from the provisions of the Act have been at less than market values as a general rule, or that they have had any significant effect on depressing the market," the report says.

It notes that the Act is still only three years old and that it is difficult to detect major changes in housing need or demand which may result from its provisions.

But it suggests that part of the increased demand for smaller housing units probably arises from broken marriages where two smaller households are created in the place of one.

In the housing finance area, increasing pressure has been placed on the Housing Corporation as a major source of lower interest loans, the report says. But "... the Act itself cannot be held responsible for increasing interest rates and other

movements in the money market."

The report bases those conclusions on information obtained from court records, surveys of law firms, real estate agents and lending institutions, and interviews with welfare groups.

It notes several times that statistical data is often lacking to quantify the effects and implications of the legislation and that it has sometimes been necessary to consider the wider topic of the effect of marriage breakdown generally on the housing scene.

On sales of matrimonial homes, it notes that immediate sale on marriage breakdown is not common.

"Almost two-thirds of the responding lawyers said that less than one-third of such cases lead to immediate sale," it said.

The welfare of children and

financial considerations were major factors taken into account.

But the matrimonial home is likely to be sold if:

- There are no dependent children;

- Neither spouse can afford the outgoings alone;

- Neither spouse can afford to buy the other out;

- Neither spouse is willing to delay realisation of their share;

- Sale would provide sufficient equity for two homes to be set up.

The report points out that it is now less easy for a husband to buy out his wife's share (previously 25 to 30 per cent of the equity and now invariably 50 per cent). Separated couples therefore, are quicker to sell homes than before.

But it notes a difficulty in separating the effects of the

legislation from other economic and social influences, such as higher interest rates on housing finance, greater mobility among social groups, and greater expectations of women.

While statistical data is lacking, some real estate agents surveyed suggested that 30 per cent of sales were consequent on marriage breakdown.

The report cautions that such high rates may occur in some areas — such as subdivisions built up some 10 years ago —. But in terms of the total housing market, "more realistic estimates by estate agents and lawyers lie in the 5 to 10 per cent range."

In the short to medium-term, the report says, it appears that in more than half the cases one spouse will remain in the matrimonial home.

Eighty-five per cent of lawyers said the wife or the custodial parent was most likely to stay.

But several lawyers suggested that the almost automatic long-term possession of the matrimonial home by the custodial parent may be weakening.

"Thus, the period of occupation by one spouse before sale or final settlement may be reduced in the future..."

Lawyers suggested that in only a few cases was the remaining spouse able to buy out the share of the departing spouse, but the most common method was by refinancing existing mortgages.

Some trade off a spouse's share in a home against other assets; in other cases a departing spouse may have a claim on the matrimonial home.

The report notes that the division of equity payments to spouses on a smaller basis. The main difference between husbands and wives is that male partners are more likely to obtain full banks. Wives are more likely to approach the Housing Corporation, banks, solicitors and members, in this respect. Many lawyers suggested that the Housing Corporation, particularly the latter, "second time around" is more likely to support its own.

The report says that on the corporation's side, because its rates are lower than the private sector, but "once again the option is caught between genuine housing need and obligations to the taxpayer is supporting its own."

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FCL set for big export payouts from Government

by Klaus Sorensen

NEW Zealand's largest company, Fletcher Challenge Ltd, could be in line for export incentives between \$30 million and \$300 million this year.

NBR checked on the giant's progress last week, and a spokesman confirmed the company would probably take up export sales this year of around \$400 million — making it by far the country's largest exporter.

A rough rule of thumb for allocating export incentive payments is to base them on 10 per cent of total export sales. The spokesman agreed NBR's suggestion that total Fletcher Challenge sales this year would be around \$2000 million, and that exports would make up \$400 million of this, was probably pretty close to the mark.

But when asked if export incentive payments to FCL would therefore amount to \$30 to \$40 million, he said he thought those figures might be "a bit high".

By far the largest sales earner in the group is the pulp and paper company Tasman, and it seems this company's track record may provide a guide to the likely size of incentive payments.

Tasman received these incentives at the rate of 7.5 per cent in the last full financial year and this percentage, when applied to export sales of \$400 million, suggests export incentives around \$30 million.

In the March 1980 financial year Tasman achieved total sales of \$207 million with a high \$142 million export sales content. The export incentives resulting from the overseas sales amounted to \$10.7 million — which, incidentally, chairman Ron Trotter described as

the time as only "a modest level of encouragement".

Despite this, FCL's export incentives could still contribute as much as a quarter of net profits assuming the incentives reach the \$25-30 million range.

And this will have the effect of reducing FCL's effective net tax rates.

But while Fletcher Challenge export sales and potential incentive payments are currently subject to some speculation, the analysts believe they have the company's likely earnings assessed pretty accurately at around the \$115 million mark.

The announcement the other week that the pastoral wing of the company, Challenge Corporation Ltd, earned \$17.9 million in the December 31 1980 half-year, has confirmed most predictions on the company's profits.

On the face of it Challenge's net profit increased 109 per cent to \$17.9 million from \$8.5 million in the second six months of 1979.

This percentage gain was highlighted by the daily newspapers and it must have been confusing for the layman to watch Fletcher Challenge shares fall 2c the day after the announcement.

But the big jump in total earnings was due mainly to the inclusion of equity trading figures from Challenge's 27 per cent stake in Tasman, and to doubled capital profits.

The figure the analysts were interested in was the earnings from trading figure of \$9,365,000 which was down 4.6 per cent on the corresponding figure of \$9,814,000 — and most of them agree that was almost exactly what they expected.

Challenge was the last of the pastoralists to report its half-year figures, but those from other major groups had already

warned of an erosion of trading profits.

Dalgety's half-year net profit, for example, showed a mere \$4000 profit decline to \$5,451,000 — but after a lower tax provision.

It appears that most of the stock and station firms have experienced single figure falls in pre-tax operating profits — and this has been followed by the recent approach to the Commerce Commission with an application for a higher scale of commission fees.

But the Challenge operating profit is complicated by factors such as a "significantly higher" level of earnings from the Toyota motor vehicle activities, and a "slight" fall in manufacturing and engineering results.

It can probably be assumed that the pastoral operating profits fell at a faster rate than the overall 4.6 per cent trading pro-

fit decline and the Challenge directors hinted at this when they said "rural income on slightly higher turnover did not increase in line with increased costs".

Profits from asset sales jumped from \$2,455,000 to \$4,855,000 — due mainly to the capital profit of several million dollars which arose from the sale of Challenge's Australian manufacturer, Scott Bonnar, at the end of last year.

Net earnings before taxation were \$14,220,000 compared with \$12,269,000 previously, but a fall in the tax provision from \$4,013,000 to \$3,035,000 left the net trading profit ahead 35 per cent.

The big boost came from the equity results of associates, up from \$334,000 to \$6,854,000 due to the inclusion of Tasman results — and due also to the improved performance of

Toyota New Zealand, in which Challenge holds a 40 per cent interest.

Minority interests of \$150,000 (\$37,000) left the profit at \$17,889,000.

However, despite the slowdown in rural earnings and some levelling out of international pulp and paper prices, most analysts have upgraded their estimates from those originally prepared at the time of the merger.

One has increased his anticipated earnings from a range of \$94 - \$105 million to between \$106 and \$110 million.

His original figures had Tasman earning \$50 to \$55 million in the current year, Fletcher (excluding its interest in Tasman) \$22 to \$25 million and Challenge \$22 to \$25 million.

His latest, and more detailed efforts predict a \$58 million

profit from pulp and paper, \$23 million from stock and station, \$11 million from steel and building, \$6 million from construction and \$8 million from finance.

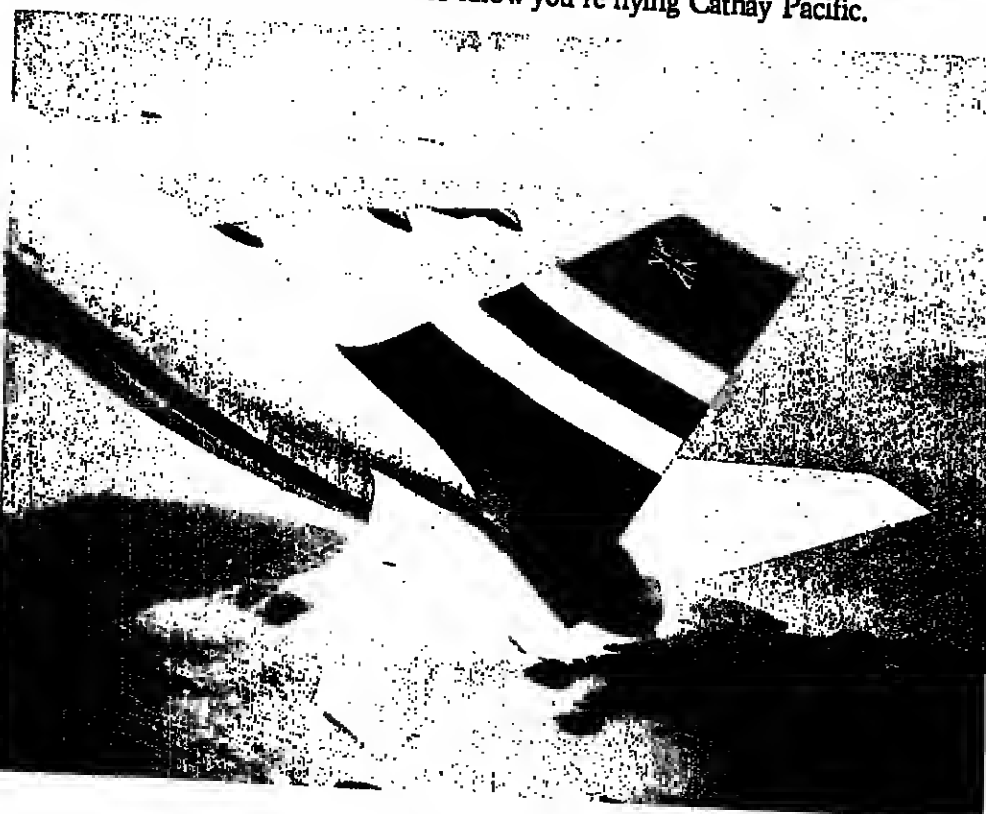
But while some analysts have picked a profit higher or lower than this figure, most agree Fletcher Challenge will become the first New Zealand company to earn more than \$100 million in a financial year.

Industrial output

INDUSTRIAL production in the United States dropped sharply in February, providing evidence to support those analysts who expect a slowdown in the economy. It was the first decline since the 0.8 per cent drop in July 1980.

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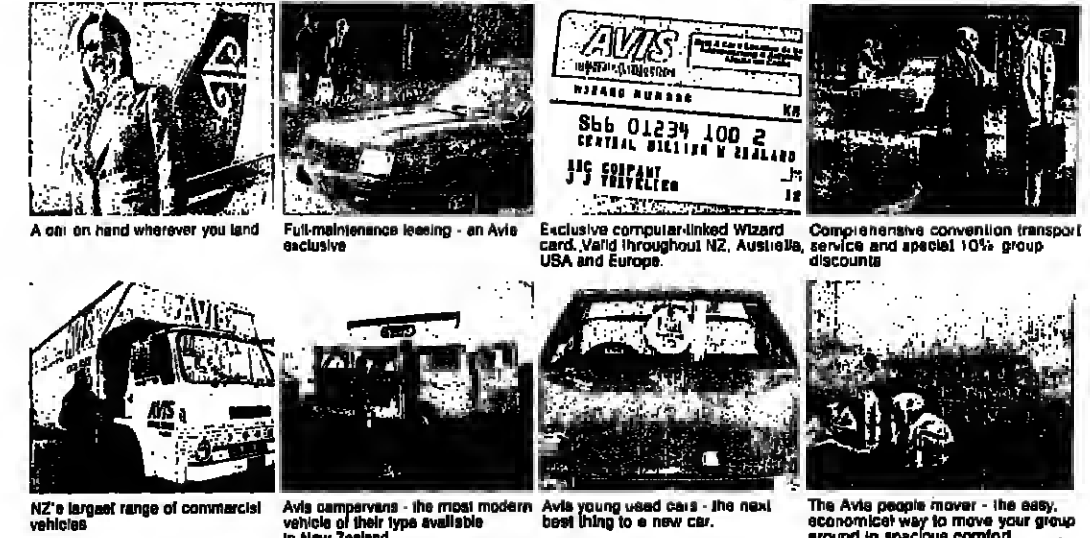
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Business

Analysing annual accounts: Ivon Watkins-Dow

by Klaus Sorensen

NEW Plymouth chemical group Ivon Watkins-Dow Ltd has sold its 4 per cent investment in timber group Henderson and Pollard — just as discreetly as the company bought the shares in the first place.

This time last year shareholders and the press discovered from the annual report that IWD had bought about 175,000 shares in Henderson and Pollard.

The company had made a widely publicised purchase of one million shares in Canterbury Timber Products in December 1979.

But not until the annual report for the December 31 1979 financial year was released was it revealed that IWD had at the same time made a \$550,000 investment in Henderson, on the quiet.

Now Henderson shares are absent from the list of investments in the notes to the accounts for the December 31 1980 financial year — leaving

shareholders to conclude the company has sold them.

The strange thing is that the IWD annual report for the latest year — released the other week — is one of the best in terms of full disclosure.

But there is absolutely no reference to the Henderson and Pollard shares having been sold, and since the sale would presumably have yielded a capital profit (IWD bought in at a good time) one would expect a reference on that score alone.

The balance sheet shows shares in listed companies fell in value from \$3,593,117 to \$3,042,40.

Note 14 to the accounts reveals this is due to the disappearance of Henderson shares from the portfolio.

The Canterbury Timber shares are there at the initial cost of \$3,042,000 but there are gaps where the 1980 valuations of the 159,051 Henderson ordinary shares and 16,000 10 per cent convertible preference shares might have been had they not been disposed of.

The 1979 book valuations (at cost) for these two groups of shares were \$518,159 and \$32,658 respectively.

The note in the accounts for non-operating income, which covers capital profits, is no more helpful.

Non-operating income for the year was \$330,963 (1979: \$137,801) which includes dividend income of \$216,979. But the note does not explain the source of the remaining \$113,984 and also leaves shareholders to assume that the bulk of the dividend figure must have come from the Canterbury Timber Products shares.

This seems likely, as the company does not equity account the profits from its 19.8 per cent stake in CTP.

Apart from this, the IWD annual report reaches a particularly high standard.

Its financial disclosure, layout, and written content are above average, though, as seems to be the trend these days, shareholders will pro-

bably find the 48 pages of information a little daunting.

The report shows the company found 1980 pretty challenging.

It had to increase borrowings to supply extra working capital as raw material costs rose, and while the net profit increased by only 2.3 per cent to \$3,931,000 due to these pressures on margins, "the directors consider 1980 was another exceptionally good year", chairman Dan Watkins says in his review.

He notes that the first six months were "very brisk" but the second half of the year ended on a quieter note.

"As expected, the sale of industrial chemicals and plastics continued at a slow level in the second half of the year. The big disappointment, however, occurred in the last quarter when there was a prolonged period of unseasonable weather."

This seriously affected agricultural activity in many parts of the country and sales of agricultural products.

Nevertheless, output was maintained at a high level with the company's manufacturing facilities operating at near capacity.

But the "gradual but persistent" decline in the value of the New Zealand dollars posed problems. Not only did it result in a foreign exchange loss of \$225,000, but also it increased raw material costs.

Watkins says the higher cost of overseas materials contributed significantly to the increase in the closing inventory value and, despite lower volumes reducing the impact of this by \$540,000, "the total closing inventory was up \$1,896,000 on last year."

Another cost was the company's defence of the controversial herbicide 2,4,5-T.

The 1979 purchase of Canterbury Timber Products Ltd shares also had an effect on its 1980 finances. Watkins notes that this purchase "absorbed most of the surplus cash accumulated during the year and, although cash flow generated from operations was \$5,374,000, the company experienced a strong demand for funds to finance the increased cost of inventory, capital expenditure and a heavy tax bill."

"As a result, it was necessary to borrow for working capital, and incur an increase in interest costs over 1979."

Total sales for 1980 were up from \$36.4 million to \$40 million. But the company deducts insurance and freight from these figures to get a net sales figure of \$37.5 million after allowing \$2.5 million for these two items.

The company's net cost of sales was up from \$22 million to \$25.1 million and with the addition of other expenses such as research, distribution, directors' and auditors' fees, total operating costs of \$30.4 million left a pre-tax operating profit of \$7.1 million, compared with \$7.3 million in 1979.

The company gives a detailed breakdown of its sales.

The notes to the accounts show that the \$37.5 million net sales figure consisted of agricultural sales of \$26.2 million (\$22.5 million), plastics sales of \$5.9 million (\$6.4 million), industrial chemicals and metals \$5 million (\$4.7 million) and pharmaceutical sales of \$240,000 (\$179,000).

Non-operating expenses (a combination of capital profits, dividends, exchange movements and interest charges) of \$447,092, compared with \$244,979 in 1979, leave a net pre-tax profit of \$5.6 million, compared with \$7.0 million the previous year.

However, a fall in the tax provision for \$3.2 million to \$2.7 million left the net profit up slightly from \$3,843,133 to \$3,931,126.

The company's non-operating expenses reveal some interesting movements.

The first figure is a profit of \$330,963, compared with \$137,801 the previous year. The notes to the accounts show this is made up of \$216,979

from the 1979 index of 101 to 96 in 1980.

This represents a net fall in sales volume over the four years, even though sales in dollar terms have almost doubled.

The 1976 sales in dollar terms were \$48.3 million, and an index of 105 in 1977, but from that point on sales volume has steadily declined.

The 1978 sales in dollars were up to \$63 million, but the index fell to 103, while in 1979 it fell again to 101, though dollar sales were up to \$72.2 million.

But apart from these problems, two more immediate concerns cropped up in 1980. Imports of tyres increased to a 25-year high, and the company found it had to increase borrowings — with the result that

interest costs jumped from \$279,000 to \$1,134,000 and put a squeeze on profits.

Trading profit was up from \$9.4 million to \$10.7 million, but the jump in interest charges meant the pre-tax profit was only slightly ahead at \$8 million, compared with \$7.9 million in 1979. Tax decreased from \$3.3 million to \$3.1 million, to leave the profit ahead by nearly \$300,000 at \$4.9 million.

At the same time average borrowings had to be increased from \$5.5 million to \$8.5 million.

The year was "particularly testing" for Dunlop, according to chairman and managing director John Hammond, with imports adding to problems.

"Total domestic sales of car tyres in the replacement market which had been declining year by year since 1974, stabilised at 1979 levels but this was little

different from the level of nine years ago."

"Dunlop maintained its dominant position within the industry "but in common with other local manufacturers we lost market share to independent traders who during the year obtained licences to import more tyres than at any time in the past 25 years."

Hammond admits that the wider choice offered to the consumer has its merits, but he says it was unfortunate for the local manufacturers that increased imports coincided with low domestic demand, coupled with further substantial increases in prices of raw materials and other costs.

He also suggests that some of the imports have not been subjected to the full import duty and have, in fact, been "dumped" at prices lower than

the charges in countries of origin.

As a result short-term prospects are dependent to a degree on the imports and "if the Government continues to allow entry of tyres or types which, though not manufactured in New Zealand, have an equivalent in the domestic range, we shall eventually be forced to participate ourselves in this import business," that will cost jobs, says Hammond.

Dunlop increased exports in the latest year by 54 per cent — though the company does not disclose the dollar value — and, obviously with an eye to further export growth, the company has bought Starlite Industries, a manufacturer of camping equipment and travel luggage.

With the intention of boosting the company's growth rate, the company went into the

butyl rubber membrane business a couple of years ago, but Hammond says the subsidiary, called Shelter Engineering, found a depressed local market and, as a result, concentrated on export markets.

Another purchase during the year was a 49 per cent interest in an electronic central equipment manufacturer. Hammond says that while this company is capable of providing growth and exports, another reason the move was "to obtain experience in a new area of operations."

Dunlop has published inflation-adjusted accounts for the fifth year in succession, and they show a lower trading profit of \$8.9 million (\$10.7 million under historic methods) and a net profit after tax of only \$2.3 million (\$4.9 million).

Inflation squeezes Dunlop into new growth areas

by Klaus Sorensen

NEW Investments and exports seem to hold the key to future growth for Dunlop New Zealand Ltd.

The company's annual report for the December 31 1980 year outlines the difficulties the company faces in finding growth in an industry so closely governed by economic policies and population growth.

The company managed a modest profit increase from \$4,607,000 to \$4,898,000, in historic cost terms, but the report shows that most of the company's progress during the year can be attributed to inflation.

The company uses an index of company sales volume to illustrate its progress — or lack of it.

While group sales increased from \$72.2 million to \$84.4 million the index of sales volume (which uses a base figure of 100 as of 1976) fell

From page 18

dividends from 1976 to 1978 were completely tax-free, the tax-free element of the 1979 dividend was reduced to 4 cents out of a total of 9.5 cents per share, and in 1980 the 12.5 cents contained no tax free element.

However, the company went some way towards compensating for this by declaring a one-for-seven bonus issue early in 1980, which reduced the share premium reserve from \$104,341 to \$60,094.

The notes record that "of the \$60,094, the sum of \$31,025 remains available from the \$1,417,074 that the High Court authorised for distribution by way of tax-free dividend."

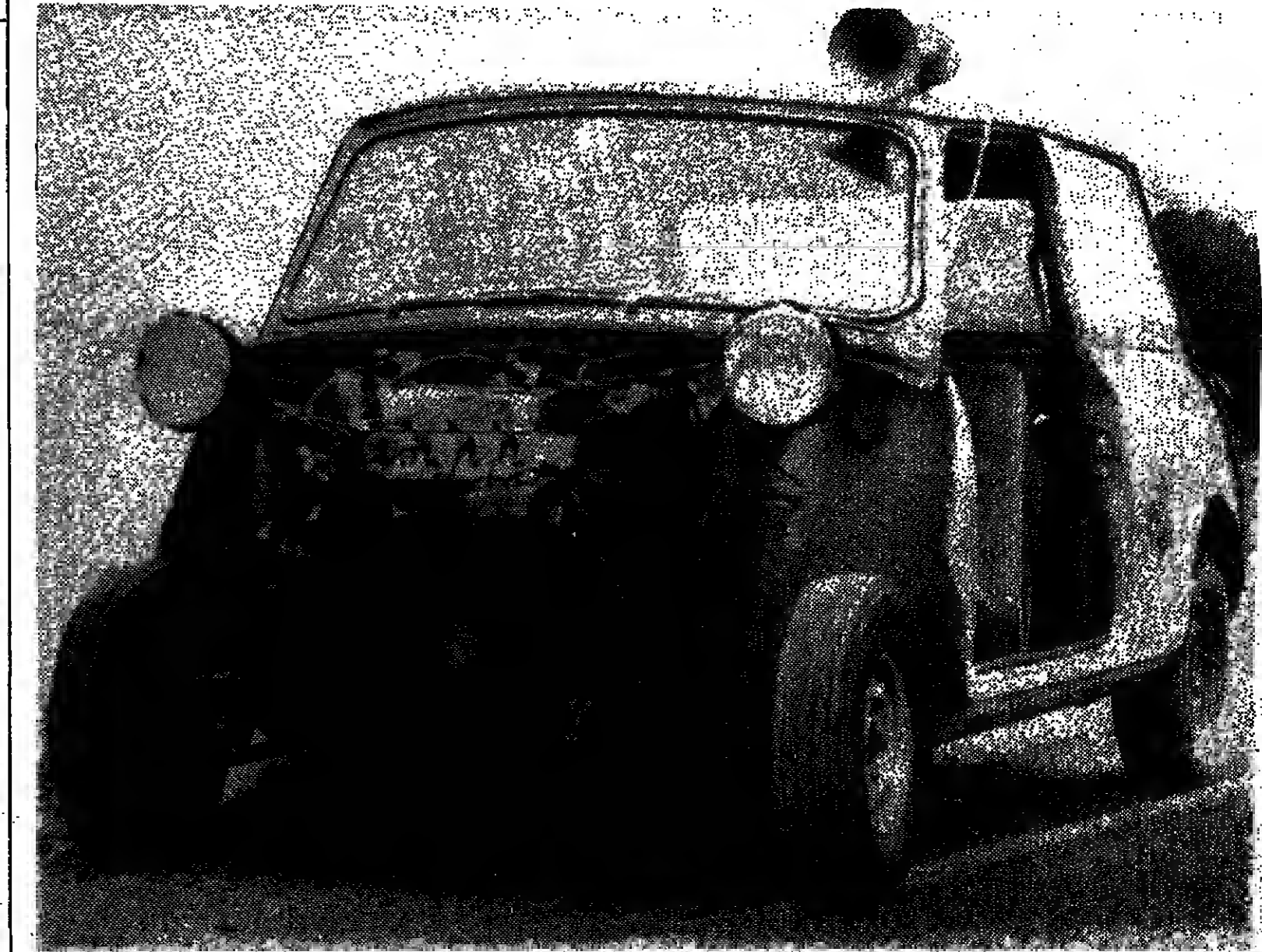
Using current cost accounting methods the company would have finished the year with a \$739,000 profit (\$3,931,000 under traditional historic methods) after the operating profit was reduced from \$7.1 million to \$2.1 million.

Watkins says the CCA adjustment, charging profits with the difference between historical cost and replacement cost of inventories sold during the year, amounted to almost \$3 million and this was the biggest single reason for the significant reduction in the CCA profit before tax.

He notes the resultant tax rate is equivalent to 78 cents in the dollar and urges the Government to accept the use of CCA accounts for tax purposes.

A shareholding analysis names shareholders with more than 50,000 shares (all of them institutions except for Dow, the parent company, and Watkins) and also provides a geographical breakdown of shareholders which suggests the company may soon have to consider moving its annual meeting to either Auckland or Wellington from the traditional New Plymouth venue.

The breakdown shows 31 per cent of shareholders are Aucklanders, compared with 29.5 for Wellington and 15 per cent for Taranaki province shareholders.



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Admark

RNZ in wars over 'minimum business' demand

by Gordon McLeuchlan

RADIO New Zealand is the last of several media groups which have threatened to withdraw accreditation from advertising agencies which don't buy what they arbitrarily decide is enough of their product.

Both the Independent Broadcasters' Association and the Newspaper Proprietors' Association tried the manoeuvre last year, but apparently have not followed it through.

NBR understands the Radio New Zealand threat was more specific, despite an assertion by sales and marketing director Jim Robertson that it was "a suggestion".

It is probable that the examiner of commercial practices would be interested in the fact if its complaint were laid.

Some advertising industry sources argue that accreditation is granted to an agency on the assumption that the agency is "a serious user of that medium"; if an agency is not using the medium seriously, it should be restricted in the interests of

professionalism by having accreditation denied.

Others argue that such claims are merely mouthed when it has been accepted practice for years for non-accredited agencies to buy placement of their material through accredited agencies in return for a piece of the commission.

The examiner of commercial practices could be interested in the fact that the media sets the level of use arbitrarily.

A small agency may wish to retain its accreditation to service clients right across the spectrum of media and could have its livelihood jeopardised by an arbitrary decision when it is professional and financially sound enough to achieve basic accreditation and pay the fees (which are high in New Zealand).

NBR asked several leading figures within the industry to explain the principle behind accreditation fees. None of them knew.

NBR suggested that the fee was originally to pay for a survey of the financial ability of the agency to meet its obliga-

tions to its clients and the media. This was generally accepted.

No other explanation was available from the people NBR questioned about a fee that will cost each agency more than \$1000 across all media this year (the equivalent in Australia: \$25).

Accreditation fees are being raised again, too. The IBA last December lifted its fee for 1981 from \$25 to \$200, and Radio New Zealand more recently from \$250 to \$300.

It is understood the NPA will be imposing an increase from \$275 a year in the next few weeks.

With Television New Zealand requiring \$300, all-media accreditation for each agency this year will cost at least \$1075 - a huge sum over all advertising agencies, and one

which no doubt will be passed on to clients.

Agencies subjected to Radio New Zealand's threat on minimum billings are not happy to talk about the powerful organisation, but it is known they have been warned that "accreditation in future may depend on" the agency placing a minimum of \$10,000 worth of advertising with radio this year.

Robertson denied this was a strongly implied threat. He said that, first, the accreditation fees had been increased from \$250 to \$300 "because we are introducing more and more stations and we are therefore able to give better coverage of the country. We've got 29 stations now."

The IBA, he said, had nine stations.

He was unable to explain the principle which linked the size

of accreditation fees with the number of outlets.

On the question of accreditation withdrawal unless the minimum of \$10,000 was reached, he said he had not suggested a minimum placement, "but what I have suggested to some agencies that don't use us very much is that because their placements have not been high enough with radio, I have asked them to consider meeting a \$10,000 minimum because accreditation is to generate business."

He said agencies were "appointed" by accreditation "as our agents to sell radio".

Asked about the \$25 paid in Australia, he emphasised that Australian agencies paid service fees. Furthermore, the level of commission paid there was 10 per cent, not the 20 per cent "across the board" paid

here - "15 per cent plus 5 per cent for prompt payment".

(The examiner of trade practices is investigating the industry-wide 20 per cent commission agreement).

Robertson disagreed with a suggestion that the high rate of accreditation might make it difficult for new agencies to open. He said two new agencies were opening in Wellington and neither had had difficulty with payment.

The Association of Accredited Advertising Agencies apparently has not discussed accreditation fees, nor the principle behind them, for years. Nor has it formulated a policy in relation to the withdrawal of accreditation because of insufficient use of a particular medium.

The subject is expected to be raised soon.

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Insurance

Renewed interest in policies for women

by John Sloan

FOR many years, the life insurance industry has offered conventional life insurance policies at lower rates to female

lives than those applicable to males.

Males might cry discrimination, but it has been a statistical fact that women live longer

than men—the main reason for offering life insurance at more favourable rates than those applicable to male lives.

With the return to the work

force of many women over the last 15 years, life insurance companies and their actuaries will be keen to ascertain if the stresses and strains of work in the 20th century affect female longevity.

The life insurance industry has always recognised the male as the only bread-winner. He has been the number one target of insurance companies which have marketed a variety of life insurance packages.

But if a wife and mother dies, the mortgage still has to be paid, the children fed and looked after, schooling provided, thus demonstrating that a wife and mother has an equal if not greater need to be insured than her husband.

As a result of the influx of married women into the work force, obviously there are many more two-income families today than previously.

This further emphasises the necessity to insure the woman of the house who, in addition to her other duties, has become an assistant financial bread-winner for her family.

The traditional method of insuring women has been to offer standard whole of life or endowment policies. But, in recognition that family financial responsibilities diminish as children grow up and leave home, there has been a trend to insure women by term insurances. Term life insurances can sometimes achieve the protection required at the minimum cost.

A recent innovation has been introduced by Amey Life. Husband and wife can insure themselves jointly, the contract becoming payable on the first death and the survivor having the option to effect a further policy without providing

evidence of health up to the original amount insured.

Amey's contract can be extended right through to age 85. Automatic inflation adjustments are made in line with the cost of living index, and the policy can be changed to other types of insurance if the needs of the insured change.

The policy, known as the "plan-for-living two in one", can include guaranteed insurability options for children of the family, thus making it a complete family policy.

Dave Houpt, Amey's Wellington branch manager, told NBR: "With the continuing emancipation of women the life insurance industry expects to see a continuation of the increasing interest taken by women in the life insurance field and also by the industry in continuing to market to the female population."

Insurance

Self-insurance carries its own risks

THE economic pressure facing most companies today means that every item of expense has to be closely scrutinised and those such as audit fees, legal expenses and insurance premiums which may previously have been accepted without question are now subject to searching inquiry.

In the case of insurance premiums, this questioning has coincided with a period of extreme competition in the market with fierce rate cutting replacing the previous general adherence to tariff and with brokers playing off one company against another.

Under these circumstances it is possible to effect substantial savings and an undertaking by brokers to save up to 30 percent or more of insurance costs, which is by no means unusual, is a very tempting indeed to a

company struggling to cut expenses.

But, as with most money-saving schemes, there is a debit side which needs to be evaluated against the potential savings. Largely because of the complexity of modern policy design, the extent of the additional costs incurred by the company is often overlooked or underestimated.

In the majority of cases the premium savings are achieved by the acceptance by the company of relatively high excesses—that is, self-insured up to these designated high levels and underwriting only major accident risks. This means that the company must deal with all claims for amounts under the excess.

The use of the service of brokers or consultants in this area can assist but the cost, of course, simply dissipates the

ERNIE Moston, the company secretary of the Zip group of companies is a well known sports administrator, chairman of the Laura Ferguson Trust, and president of the New Zealand Risk Management Association. His views on trends in the business insurance world and the pitfalls of self-insurance appear in this article:

premium savings made and inevitably there is an extra administrative burden on the company.

Very few companies have executives with the necessary knowledge and experience to handle this work efficiently and even if they had, the cost of setting up the necessary procedures and records is considerable.

A further cost to be taken into consideration in any decision to adopt a programme of self-insurance is the greater emphasis which this procedure is likely to place on the installation and policing of risk

levels of the need to prevent accidents from happening.

Such prevention will almost surely require capital costs—for example, fire doors, duplication of water supply, sprinkler systems, security systems, and so on, so the commitment of the directors and top management to the concept is essential and will inevitably

take up valuable administrative time.

If you decide to reduce your insurance premium costs by adopting a degree of self-insurance, be sure to calculate carefully all of the costs which you will thereby incur in staff administration procedures and accident prevention measures. The cost involved may greatly reduce the net saving.

Australian business seeks extortion cover

INSURANCE brokers in Australia report a spate of inquiries about extortion cover following three bomb attacks upon Woolworths' stores in an attempt to exact \$1 million.

In addition to the closure and evacuations which the bomb attacks prompted,

Woolworths lost at least 50 hours trading at other stores across Australia as further hoax calls forced them to close for extended periods. (Woolworths reported some 74 hoax calls in Sydney alone.)

The upsurge of interest among department stores and other vulnerable businesses follows a warning from a former London police chief, Sir Robert Mark, that more extortion attempts against big business in Australia can be expected.

Sir Robert was flown to Australia to advise Woolworths about security arrangements in the wake of the bombing campaign. He warned that the bomb attacks on the shopping chain should not be seen as an isolated crime. Such extortion attempts, he said, posed a more serious threat in Australia than

political terrorism, because they are much more likely, and should never be looked on as improbable or spasmodic.

Sir Robert's assessment confirms warnings by Australian security experts that more acts of terrorism will be directed in future against private industry.

These authoritative appraisals may persuade underwriters that the risk of extortion is growing and cause a corresponding rise in premiums.

Most insurance companies in Australia would not have policies offering indemnity against trading losses caused by terrorist attacks, threats or hoaxes. Thus the Woolworths' bombing campaign has exposed a significant deficiency in the insurance market and opened up a new area of business.

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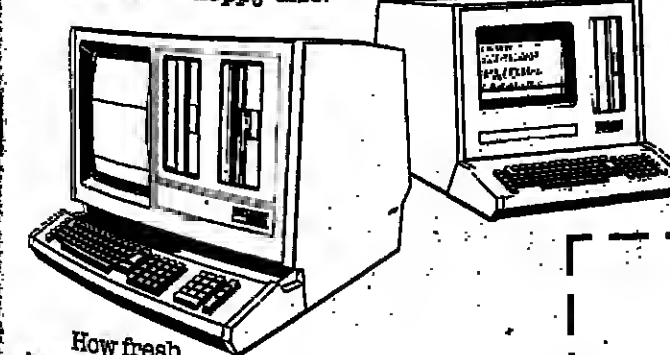
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Industrial relations

Oil industry target of campaign for 35-hour week

by Ann Taylor

SEVEN unions have combined to campaign the oil industry for a 35-hour working week to create more jobs.

The clerical workers', drivers', engineers', labourers', storemen and packers', boiler-makers', engine drivers' and firemen's union are all involved in the oil and distribution industry.

Stewart McCaffrey, national secretary of the Drivers' Federation, was elected chairman of the group when the seven came together at a meeting convened by the FOL. He said the campaign was based on a nine-day fortnight and would aim to educate union members and the public.

"We are not the first to break the 40-hour week," he said, pointing to the 37½-hour week worked by the clerical, insurance and journalists union members (the PSA is another). Union officials insist that the oil industry can afford a 35-hour week.

"It has the means and the ability to opt for a 35-hour week. They've been ripping us off for years, now they can start to pay it back," was one comment.

The Australians are at loggerheads on the issue. The Government there announced a \$2 million campaign against the unions' orchestrated push which last month scored a success with 850 workers at the state's Alton petro-chemical plant on the basis of productivity bargaining. The Arbitration Commission found in favour of a 72-hour fortnight.

The chemical industry was threatened with the withdrawal of tariff protection if it defied the Government and introduced a 35-hour week. But the commission stood by its finding and the Government was obliged to accept the umpire's decision.

The Australian oil industry reached agreement on a 35-hour week in 1973. That was ratified by the Arbitration Commission in 1976.

FOL secretary Ken Douglas says the Australian situation is obviously of interest.

"There are a number of industries that have the same ownership, structure and production scenario. The two countries are becoming more and more interrelated," he said.

The oil companies here have deliberately made no comment. They are under no claim at the moment and no approaches have been made to them, according to Employers Association advocate Steve Marshall, who deals with the oil companies.

Marshall said the question of shorter working hours was a national matter. "Something correctly discussed between national bodies with Government involved", and not a matter for an industry negotiation.

"To take the approach that it could be applied in a particular industry is industrially naive. It is obviously a national claim," he said.

In the current economic climate, it was almost "a self-destructive" move, he argued.

"There is no evidence that an increased cost structure is going to result in employers being able to expand job opportunities. It might well result in the opposite effect."

Marshall does not see that a comparison can be made between NZ and Australian circumstances. "You must compare like with like. Demand, productivity and the additional

cost factor have to be considered and they're different there."

Marshall concedes that, in a buoyant economic climate, employers might be in a position to consider a shorter week.

The 40-hour week was introduced by the pre-war Labour Government in 1936 to stimulate employment, but the advent of war made its effect difficult to assess.

Douglas disagrees that the question must be considered on

an industry basis. "The 35-hour week slogan covers a number of situations. Five seven-hour days might be suitable in one industry and not in another," he said.

"The oil industry is one where the question has been raised by individual unions over a number of years."

The unions certainly have time to mount their campaign. The current agreement covering oil company engineers expires in November and the

drivers and stores awards expire in December.

The push for a 35-hour week is not a direct result of increasing unemployment. Most unions have adopted it as policy and some have included it in claims. It has been FOL policy for 20 years; the electricians have included it in the claims for the last 10 years; the engineers adopted it as policy in 1974.

And this is not the first time a concerted effort has been made

to get the Government to adopt a 35-hour week. In 1978 the Combined State Unions adopted a "comprehensive, major new unemployment policy". To ensure the creation of jobs, for those looking for them, one measure could be "the creation of a standard week of 35 hours for all employees without reduction in take home pay."

And last year the engineers and electricians' secretaries an-

nounced the start of a campaign.

The Employers Federation reaction then was semantically similar to its current attitude. President Grahame Reid said: "we are not burying our heads and adopting an ostrich attitude about this." Executive director Jim Rowe's statement of March 31 read: "I can only liken this campaign to the ostrich which hides its head in the sand when danger approaches."

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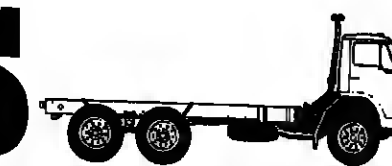
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FC131



Some common ground over fate of West Coast trees

Some common ground over fate of West Coast trees

by Ann Taylor

THE dialogue on the conservation movement - the West Coast native forest - is again the arms of the Forest Service.

Service is lively and well-informed as both sides try to resolve what should happen to the last of the wilderness and standing areas of lowland forest. But, at stake, is the livelihood of one-fifth of the West Coast's population of 35,000, who are dependent directly or indirectly on the timber industry. The industry's long-term future is assured by substantial exotic planting but those trees will not be ready until 1990.

Meantime four conservation organisations - the Native Forest Action Council, Royal Forest and Bird Protection Society, Federated Mountain Clubs and the Environment and Conservation Organisations - have reached agreement on a statement which sets out priority areas for conservation in Westland.

This statement comes at the end of protracted attempts to set aside areas for ecological,

wilderness and recreation reserves.

The DSIR and Forest Service submitted recommendations to the scientific co-ordinating committee responsible for recommending ecological reserves requirements in state forests.

What reserves that committee actually proposed, based largely on vegetation criteria, then went to an officials committee which whittled them down further.

Now the forest management plans have left smaller areas, in some places, than those approved by the officials.

The conservation co-ordinate, in its recent submissions to the Forest Service, has taken into account West Coast interests, government departments and other interested parties, according to spokesman Guy Salmon.

He says their approach is characterised by a commitment to a multiple-objective plan-

ning and aims to develop a comprehensive conservation view within the concept of balanced use.

The group's stated aims are preservation of major wilderness areas, on a permanent, rather than temporary moratorium basis, and sustained yield production of native timber.

Salmon says the conservationists are in agreement with the Forest Service in North Westland. Sufficient exotics have been planted there to sustain the industry from 1990 onwards.

The conservationists, ironically, are advocating beech milling to take pressure off the podocarps in the interim. But beech is unpopular with the sawmillers and needs marketing.

The areas recommended by the DSIR for reserves are the same as those advocated by the conservationists.

In South Westland, where there is no exotic resource and two or three southern mills are threatened with closure, the conservationists recommend clear-felling of areas that have been selectively logged until commitments have run out and the industry can be scaled down. "The trees are just going to blow over anyway", says Salmon.

The Forest Service aims are not totally at odds with the conservationists.

Foresters' objectives are sustained yield production of native timber, continued employment and prosperity in the timber industry and the protection of forest areas in reserves and national parks.

But in South Westland, long-term supply contracts with the timber industry mean that conservation must take a back seat. One contract was signed as recently as 1979.

Some Forest Service officers admit they are not happy with proposals which would commit the bulk of economically accessible virgin forest to logging.

Some areas are proposed for protection - south of the Okarito River, and South Okarito and Waikukupa state forest, advocated by the National Parks Authority - but only on a temporary basis.

In South Westland, the conservationists want these forests and Ohinetamatea added to Westland National Park "right away" and the Northern Maruia Valley reserved.

A seminar in Wellington early last month brought together the various parties. Wildlife Service assistant director Dr. Malcolm Crawley said "no effort will be spared in our attempts to protect the forests and their native wildlife."

Forest Service deputy director-general Andrew Kirkland said consideration had been given to reducing the sawmills' allowable cut and paying compensation.

But the people at the crux of the matter - the West Coastians - failed to send their representatives who was billed on the original programme.

National planners argue that the West Coast has less land, less land and less land than the rest of the country. The planners argue that the West Coast has less land, less land and less land than the rest of the country. The planners argue that the West Coast has less land, less land and less land than the rest of the country.

John C. 116

Resource development

Taranaki 'Darts Club' more than just friendly society

From Page 1

The concern has increased as leading boilermaker militants have become more active in the district.

New Zealand Engineering Union members have legal — and traditional — right to welding, fabrication and boiler-making work in Taranaki.

But boilermakers have established the Taranaki Boilermakers Society in New Plymouth. Locally known as the "Taranaki Darts Club", it is a "friendly" society.

The "darts club" nickname springs from activities in touring New Plymouth pubs trying to sign up engineering members, according to employer sources in Taranaki.

And as one employer commented, "A list like that gives them an idea of what company is employing whom, on what

sites, and in what work shops". The society was originally set up to protect boilermaker union members from other districts who moved to Taranaki for work.

Because the engineering union has legal right to work in the area, a boilermaker from, say, the Auckland union would be obliged to join the Taranaki engineering union. On his return to Auckland, he could find difficulty in rejoining his own union.

But by holding a Boilermakers Society ticket, his union membership in Auckland would remain protected.

The boilermakers have twice tried, and failed, to register a union in Taranaki.

In one application, employers claim, the names of the proposed members of the new union were whittled down from some 80 people to about 16

Many of the names on the list, we were told, had moved to Australia, others had been out of the business for a decade or more.

National employer representatives regard registration of boilermakers in the district as extremely unlikely, given the potential of industrial trouble to tie up capital running into hundreds of millions of dollars.

But while direct employment in the district for boilermaker unionists is unlikely, there remains a fear of disruption arising from out-of-town contract work.

In such a situation, workers employed on a fabrication contract in, again say, Auckland could insist on the installation work.

Such an insistence would create an immediate demarcation dispute with the engineering union, which the engineers

would resist fiercely. The degree of inter-union trouble that would arise is difficult to chart, but it would not be insignificant.

One North Island company executive we spoke to was adamant that he will not subcontract work to engineering workshops in districts where boilermaker unions operate.

"We stay out of Auckland, for instance," said the executive.

Taranaki employers say the Darts Club has been "very quiet" to its recruitment drive recently. But they report substantial activity by boilermaker activists throughout the lower half of the North Island in buying up engineering plant and equipment at auctions and company sales.

A variety of sources have corroborated this to NBR and suggested that the boilermakers

hope to gain access to the construction sites by subcontracting to the major contractors.

Boilermakers leader Con Devitt was reluctant to discuss the issues and concerns with NBR when we approached him.

He would not comment on suggestions that the "Taranaki Darts Club" was a precursor to establishing a union in that



Labour Minister Jim Bolger ... sees no need to involve boilermakers.

district and would create a conflict with the legally-established engineering union.

"That's a subject for an inter-union discussion and I don't want to comment on it."

Devitt also denied that boilermakers were buying plant and equipment. Suggestions that they were, he said, were "humorous to say the least."

NEXT WEEK: Manpower, The shortages, The universities and The Australian factor.

He described our sources as "strange" and suggested we must have obtained our information "from the pub."

But NBR has discovered a company with close ties to the Devitt name.

Ferric Works (New Zealand) Limited was set up as an engineering company with \$5000 capital on January 19, 1979.

A George McIntosh holds 4999 of the \$1 shares. He is described on Companies Office records as a shipwright of British nationality. The remaining share is held by a Daniel McCrorey, a British "technical teacher".

Two documents filed on behalf of the company at the Companies Office were presented by a J Y Devitt, a brother of Con Devitt. The company has not held an annual general meeting since its

formation, according to Companies Office records.

McIntosh told us that the company was set up as a "holding company in case we wanted to do any work".

"We", he said, was himself and McCrorey.

He insisted that the "man running it was Mr McCrorey" and expressed surprise that he (McIntosh) was listed as the major shareholder and McCrorey held only one share.

The company, he said, had never done any work.

He expressed surprise that it was still in operation — he thought it had been wound up.

He said he would now be "likely" to make moves to get the company wound up.

McIntosh denied knowing J Y Devitt and could not understand how that name was listed at the Companies Office on one of his company's documents.

He said Con Devitt — "who doesn't know him?" — was a "mate" although he had once been associated with Devitt through work.

Pressed about what "mate" meant, he said Con Devitt was "a very good friend, I suppose".

McIntosh told NBR he had never been a member of the Boilermakers Union or Society. His previous employment was as a ship's joiner with the Union Steamship Company, where he worked with McCrorey, he said.

But a source close to the company maintains that it was originally set up on behalf of boilermakers.

We later telephoned Con Devitt and asked him if he knew of Ferric Works (New Zealand) Limited. He said he did "in different connections".

Asked what connections, he replied "I think you had better send me those questions in a letter."

Asked why, Devitt said "I don't know you and I'd want to look into you" before giving any answers to our questions.

Asked how long he would need to reply to written questions, he said: "when I get time." By that, he said, he meant when he had had time to check on the journalist.

In those circumstances, and with a publication deadline to meet, NBR decided against providing written questions.

NBR has been told that on at least two occasions during the Bank of New Zealand project boilermakers on site suggested

Resource development

... it could be most unfriendly to anyone on the outer

that Ferric Works (New Zealand) Limited was taken on as the steel fabrication contractors and provide the management and technical side of operations.

The suggestion, according to our source, caused employers "to throw up their hands in horror".

The "Darts Club" activity by boilermakers in Taranaki is reasonably common knowledge in that region.

The government is said to be aware of the "Darts Club" activity by boilermakers in the Taranaki area.

Labour Minister Jim Bolger said NBR, however, that Government does not consider there will be any change to the current situation in which engineers have legal right to work in the district.

"The situation should continue; there seems no need for boilermakers to be involved and the work has been adequately dealt with by the engineers union," he said.

"From time to time I hear reports and comments that boilermakers are making increased efforts to establish themselves in Taranaki," he said.

"But given the legal situation it is hard to see how they could."

The Government, he said, would maintain an interest in union developments in the area.

It will also be concerned about possible disruption in Northland, where a legally-established boilermakers union already has ready access to construction sites and engineering workshops.

There, the recent refinery dispute indicates the vulnerability of these major projects to disruption.

NBR understands from a source close to Cabinet that if the threat of industrial chaos appears to grow in any of these areas, the Government may consider some form of direct action or behind-the-scenes negotiations to defuse the threat.

Exactly what form this action would take has not been seriously considered yet.

Some employers and company executives feel, however, that such action should be taken now, because of the potential for industrial problems on the project sites.

Said one: "Far better to get it talked about now. It's crazy to wait until we're in the middle

of a \$500 million project for trouble to start. The damage from that would be enormous".

An apparently minor industrial dispute on the Auckland waterfront is already being regarded as a potential forerunner to the type of trouble that could wreak havoc on the major project construction sites and in engineering workshops supplying those sites.

The dispute centres on oil storage tanks, which are being relocated from Mechanics Bay to the western end of the waterfront.

Two large tanks are under construction for BP (NZ) Ltd. The major contract for their construction was let to Price Norsteel, a Cable Price Downer subsidiary.

Site work was sub-let to a small engineering company, Auckland Steel Erectors Ltd, which is essentially a family

concern with a few employees depending on demand at any one time.

On-site boilermaking and rigging was due to start last July. But, there was immediate trouble involving the Auckland Boilermakers Union (which was to supply boilermakers and welders), the Auckland Labourers Union (riggers) and the Auckland branch of the Engineers Union (trade assistants).

The boilermakers and riggers claimed a wage rate comparable to the Kinsale rate and a manning scale, which employers said was "padded" but was similar to an agreement already made with another company working on the Auckland waterfront.

As well, they demanded a redundancy agreement that provided for the payment of a weekly allowance for the dura-

tion of the estimated 14-week contract in lieu of redundancy.

Between July and December there was no work on the site until the contract was eventually re-arranged to allow Price Norsteel to provide the boilermakers itself, with the subcontractor to supply the riggers.

But just 14 days after work began (already half a year behind schedule) the Auckland Labourers Union demanded that Auckland Steel Erectors engage two union-nominated riggers.

The union representatives also maintained that the one employee working for the company could not be allowed to work because he was not recognised by the union.

The employee was a union member but did not hold a card from the union's rigger section. When these demands were

rejected, work stopped again until a settlement was thrashed out late last month between employer and union representatives.

Thus, while that problem appears to be solved (although one employer representative observed "it could flare up again any time") there is concern that similar tactics using extreme wage, redundancy and manning demands could create similar problems for other small and vulnerable companies on the waterfront.

More significantly, it is seen as an indicator of the power that militants will have to hold the large energy-based projects to ransom.

Employer representatives have certainly regarded the Auckland dispute as one of national importance. Said one: "If you translate that dispute into the big projects like the

refinery expansion, you can see how the unions get into a prime ransom position."

The employers cite demands for high wages, redundancy agreements and unrealistic manning levels as key areas of concern.

Also, union insistence that companies employ from a union-nominated list — a common practice by the more militant unions — is regarded as "dangerous".

Throughout the Auckland dispute, senior Department of Labour staff were kept fully informed of developments.

The dispute has been treated as significant at Cabinet level, too.

Certainly, with the Government's commitment to the "think big" projects, the threat of industrial chaos and ransom demands would be unacceptable to the politicians.

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Green Arrow: The BNZ

SECRET arrangements between employers and boilermakers after their union was deregistered have allowed the long-suffering Bank of New Zealand head office project to proceed.

NBR inquiries into boilermaker activity in Taranaki pointed to an elaborate network designed to keep the militant boilermakers working on the site.

The scheme devised by the parties involved payment to a specially set-up company through one of Wellington's leading accountancy companies.

The deal was hammered out while the boilermakers were on strike after their deregistration. The key to the arrangement was Green Arrow Engineering Ltd. The \$100 capital company was set up by Civic and Civic

Pty Ltd, which became the main contractor of the BNZ site after Fletcher, Bernard Smith pulled out of the site in July, 1975.

Multicon Engineering was brought to Wellington by Civic and Civic from Australia to take over the steel fabrication contract on the site. Multicon was to provide the management and technical expertise and Green Arrow was to provide the labour, using the deregistered unionists in the pool.

Green Arrow was formed on March 25, 1976, the same month that the deal was agreed. The company was a private company following their deregistration.

Directors of the company were two boilermakers and a Wellington lawyer. The company was set up by Civic and Civic

remedy

Green Arrow officially paid the boilermakers their wages, but the money came from Civic and Civic (by-passing Multicon) through Gillfillan Morris and Co, a Willis Street accountancy practice.

NBR understands that Gillfillan Morris and Co provided the administrative work associated with the wages payments, including making out pay slips and so on.

In mid-1979, Multicon withdrew from the site, threatening not to return until it got the contract to employ the men back. When that was agreed, Multicon came back on to the site on July 29, 1979.

Four months later, Green Arrow was wound up, its job done.

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New Zealand is no Mecca for Pacific patients

by Belinda Gillespie

A GROWING number of Pacific Island people comes to this country every year for medical treatment which they can't get at home.

Some come on New Zealand aid, some are helped by their own governments and some raise the money as private individuals.

You can look at it two ways. A benevolent New Zealand allowing citizens of neighbouring countries access to our sophisticated health services. Or a grudging New Zealand allowing free treatment to a token few Pacific neighbours, while extracting full payment from the majority, who come unaided by our Government.

To a Tongan on an average weekly wage of \$12, hospital costs of \$125 a day, or even \$25 for an outpatient consultation, are unimaginable. Yet he must — it's the law.

"Under the Social Security Act, general medical services are free only to people normally resident in New Zealand," said

Dr Alec Sinclair, deputy-director of the Department of Health's hospital division.

"People who don't qualify pay for everything — consultations, investigations, drugs and public hospital facilities. Hospitals are legally bound to charge — it takes a full meeting of the hospital board to write off a bad debt, as well as consent of the Minister of Health."

The law is fundamental to the department's user-pays rule — and applies equally to all visitors except those from Britain, with which New Zealand has some reciprocal arrangements.

Residents of the more sophisticated countries, however, usually have medical insurance. Pacific people don't — insurance is neither available nor within their means.

"It's a difficult situation," admitted Sinclair, "but we can't offer them general medical services as the law stands."

Some patients do raise free treatment. In 1974, when aid moneys were relatively more generous, the external aid

division of Foreign Affairs offered an annual quota of patients to New Zealand's three traditional trading partners — Fiji, Samoa and Tonga.

The quota is set on a population basis and has remained the same since 1974 — Fiji can send 15 patients, Samoa six and Tonga four. The cost is about \$8000 a head — \$200,000 a year.

It's called the "free treatment scheme" — but there's nothing free about it to Foreign Affairs, which must foot the hospital bills to fulfill the requirements of the law.

The scheme may eventually be expanded to allow a quota to some of the newly independent Pacific nations. This year, for example, in an unusual move, two children from Kiribati have been given free treatment.

Cook Island and Niue people are a different case. Holders of New Zealand passports, but not normally resident in New Zealand, if they are referred officially through their governments to New Zealand hospitals, the hospitals can bill

Foreign Affairs for the cost. Unofficially, most who need treatment come here and take their chances. Hospitals are not in a position to prove that they, as New Zealand citizens, don't intend to take up residence.

"Hospitals are not there to administer the Immigration Act," said Sinclair. "Australians also often get free treatment, if no one questions their origins."

Auckland Hospital might lose as much as \$4 million annually — but there is no way of policing the Act without raising the bogey of ID cards or other unacceptable measures.

Whether patients come free or not, they must fulfil three criteria to be accepted for treatment in New Zealand public hospitals. The treatment must be necessary, not available in their own countries, and likely to have a worthwhile outcome.

Theoretically, patients from anywhere in the world could come here for treatment, if they met the Department of Health's conditions. In practice, patients who want treatment here are

almost entirely from the South Pacific, because most other countries have facilities of their own.

Why have criteria at all? Considering the prohibitive cost of treatment, the 1.5 million population of the Pacific Basin, and the existence of reasonable hospital facilities in the more populous countries, the numbers needing tertiary medical care would not be large.

"Our medical services are stressed," Sinclair said. "With long waiting lists, every overseas patient puts a New Zealand down the queue."

they face in New Zealand.

"Better still would be a quota system — but free treatment available according to need — which could be assessed quickly by a small group of two local doctors and the New Zealand High Commissioner."

Having overcome the obstacle of raising the money for treatment, getting a guarantee of backing to satisfy New Zealand immigration authorities and meeting Department of Health criteria, the Pacific patient has to contend with a whole new set of problems on arrival.

Although people are now advised in advance of the likely



Specialist care ... not available at home.

Patients with kidney failure, for example would be a heavy burden on the New Zealand taxpayer. They might be here up to two years having treatment on a kidney machine before receiving a transplant, and then need a further two years' treatment.

The merits of the quota system are also arguable, either in favour of no quota, or a more generous one.

"There is a school of thought which questions the expenditure of \$200,000 a year on 25 people," Sinclair said. "Is it an appropriate use of aid money?"

A better application of funds might be to spend the money on primary health measures such as vaccination, health education and sewage.

Extending the quota system further into the Pacific and increasing the number, say, to 250, wouldn't solve the problem, Sinclair said. At present most patients who come through the Department of Health are from Samoa, Fiji, Tonga and Tahiti, while the Cooks and Niue contact the hospitals directly.

Cases are most often young candidates for open heart surgery, or cancer patients whose prospects, given treatment, are good.

The list could extend to include kidney failure, joint replacement and progressively less serious diseases. The question would be: where to stop?

"Quota places should be kept for emergency cases," said Anthea Hatfield, a Wellington doctor involved in a group which helps Pacific patients overcome some of the problems

total cost of treatment, they generally have no idea of the day-to-day costs of New Zealand life.

"All are very hard up relative to New Zealand conditions," Hatfield said. "They have no money or warm clothes. The need looking after — so find their way around, renew permits, contend with the language. The patient is usually escorted by a friend or relative who has no accommodation and often no ticket from Wellington back to Auckland."

The largest number of patients goes to Auckland, where they have fewer problems because of the larger community and greater social support.

Tongan patients who come to Wellington face major difficulties with virtually no community backing, and the added cost of internal airfares.

Lani Willis, a Wellington nurse who began helping patients in 1973, outlined what she does, from meeting the patient and his escort to hospital, interpreting for the doctor, providing clothing, accommodation, and even pocket money for the escort.

She is backed by a group, which tries money for major costs. Through help from a voluntary initially, the group has been turned down by regular charities in the past. It raises the necessary few dollars each year.

"The churches don't know us, and the funds are for New

A NEW ERA IN COMPUTERS HAS BEGUN.

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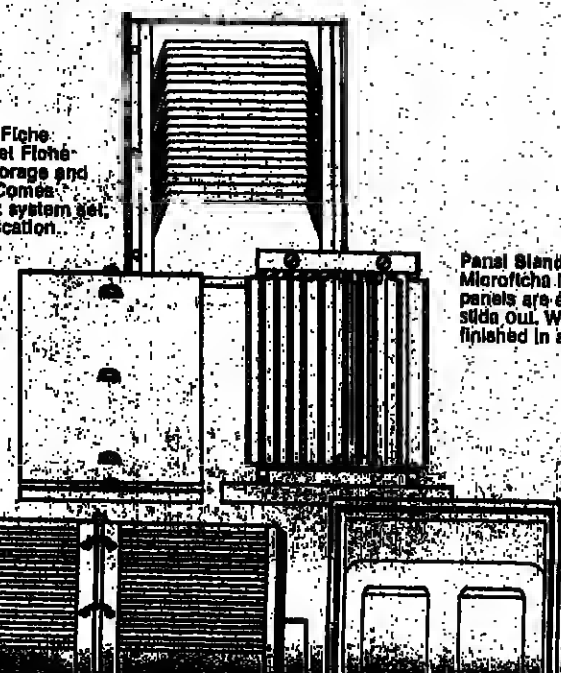
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Software packages using batch, on-line and on-line realtime programmes are available through a nationwide computer network. Current applications include Inventory, Retail Accounting, General Accounting, Payroll, Local Authority Systems, Management Accounting Systems, Insurance, Farm Accounting, Share and Debentures, Asset Register, Hire Purchase, Wool Accounting, Production Control and many more.

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Suppliers of Texas Instruments Terminals, Pertec Computer Corporation key to disc

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Challenge are suppliers of: Micron Corporation readers and reader printers; Datagraphix in COM equipment; Xidex Corporation in film; All supplies including film, chemicals and filing systems.

In addition Challenge provide specialist data processing services to the travel industry in the form of Videcom travel agent reservation systems for Airlines and ancillary services. Also Bank settlement plan for IATA clearing house operations.

CHALLENGE COMPUTER SYSTEMS

THE NEW ERA COMPUTER SYSTEM

NZ'S FIRST FACOM V SERIES COMPUTER COULD BE YOUR FIRST COMPUTER

Challenge Computer Systems introduce the new Facom V830 computer for the medium size business or as a decentralised computer for large business. When the V830 was launched in Australia last May, sales were forecast at 50 in the first 12 months. This computer has proved so acceptable that the projection has since been doubled to 100.

As with any new system there is a wide range of questions that users wish to ask; opposite is a list of those most often asked.



CHALLENGE COMPUTER SYSTEMS

THE NEW ERA COMPUTER SYSTEM

Won't it take a long time to develop a computer system?

Challenge Computer Systems is offering a total solution comprising the Facom V830 and application software systems. Programmes are already available to cover the Sales, Accounting, Manufacturing and Financial Modelling areas, and these provide a wide range of user options to make them adaptable to your type of business. The complete system can be installed over a three to twelve month period depending on your requirements.

Can my existing computer system be converted to a Facom V830?

Yes. The Facom V830 supports most commonly used programming languages, including RPG and COBOL. Other conversion aids are available.

Will the system be able to provide up-to-the-minute information?

The Facom V830 is operated through work stations using a conversational mode. Thanks to a menu selection feature, a list of available operations is displayed on the screen. All data entry and enquiry operations are entered through work stations located in each department. As a result, up-to-date information is available for routine enquiry purposes and also to meet specific management requests.

Will confidential information be protected?

To assure privacy for classified information, the Facom V830 comes with a password feature. The same system can prevent certain data — such as the master file — from being updated or enquired into by those unauthorised to do so.

Is the system reliable?

Facom have built a reputation for reliability that has been beyond the expectations of most of its users.

Will the system grow with your business?

You can start with a single work station. Then as your business grows and your requirements change, you can add additional work stations. For an even greater capacity increase the Facom V850 model is available or you can link up with a larger computer system.

How can you be sure the Facom V830 is right for your business?

A Challenge Computer Systems consultant can readily discuss and assess your requirements and balance these against the Facom V830 capabilities.

For Further Information
Contact the Sales Manager,
Auckland Wellington
Phone 33-061 Phone 851-388
Box 4185 Box 3249

FACOM

Science and technology

ANAC breaks into metals implantation boom

by Lindsey Dawson

THE Auckland high-technology firm ANAC, plans to get into the boom business of metals implantation — a revolutionary process which can dramatically improve corrosion resistance, wear resistance and hardness and fight fatigue and friction.

The Mt Albert-based company, which has marketing offices in California and Geneva, has written a two-year business plan and aims to set up a new company to be called XICOR, composed of New Zealand and big American interests.

ANAC (formerly known as Auckland Nuclear Accessories) will probably have a 25 per cent interest in the American-based venture company and will be a major supplier of equipment.

The Eaton Corporation of New York, the world's biggest manufacturer of rear axles, with annual sales of more than \$3 billion, is showing strong interest in coming in as an American partner, ANAC's managing director Hilton Glavish told NBR.

XICOR (X for material, I for implantation, COR for corporation) will seek to explore and develop the commercial application of ion implantation into metals and other non-semiconductor materials.

The process is very new, but the potential world market for the materials implantation business could be more than \$1 billion a year.

Glavish said that several companies were already active in metals implantation in England and the United States.

"But despite this activity, commercial exploitation of the technology is very much in its infancy," he said.

"We feel that a great opportunity exists for a new company with the right combination of technical expertise, business

experience, individual motivation and financial backing to significantly develop this new business area."

Glavish, who works out of Santa Clara, California's "Silicon Valley", said that by the end of 1983 ANAC's sales would be at about the \$8 million-a-year mark, and that "at that stage we would have tremendous difficulty in expanding beyond our own earnings."

"That's the time in company growth when the original founders get to have less to do with the day-to-day operations, and it becomes very hard to keep expanding at 30 per cent a year," Glavish said.

"It either tends to get taken over by a larger company or alternatively a new technology comes along that's really exciting. We're hoping that the metals implantation will be the vehicle for us to expand through the \$10 million barrier."

ANAC needed the involvement of a big corporation like Eaton to help provide finance for developing the market and also for its "image", said Glavish, who visits the Auckland head office several times a year.

Eaton is already a major customer for semiconductor equipment, and ultimately "it is a company such as Eaton which would want to own an ion implantation plant."

XICOR's business plan provides for an administrative base in Santa Clara, with service centres on the west and east coasts of the States. "Much of the American metal-cutting industry is in the east, with aerospace on the west," ANAC will provide equipment and personnel.

ANAC, which grew from a nucleus of physics students working on ion sources at Auckland University in the

early 1960s, has grown into a big money earner.

Its sales of such equipment as polarized ion sources, beam transport magnets, ion implanter magnets, mass spectrometers magnets and micro-processor control systems, have jumped 40 per cent since last year, reaching \$250,000 a month.

It has much experience in semi-conductor implantation technology which it can use as a stepping-off point in its new business venture.

The new technology will be of enormous importance to industry, in changing the surface properties of various metals.

It is done by taking alloying elements and implanting them into a host metal, like titanium onto steel for instance.

The alloying elements are accelerated to tens of kilovolts

and strike the host metal, penetrating it to micro-fine depths — only a millionth of an inch.

It may not sound much, but the process actually alters the chemical composition of the metal's surface, with resulting improvements ranging from friction and wear through electrochemistry and catalysis to bonding, lubrication and adhesion.

Experimental work has discovered some amazing properties of the process. You can't ruin an implanted surface by scratching it, for instance — the implanted atoms somehow "bleed" into any imperfections and cover up the damage.

An implanted metal also improves with age. A newly-implanted surface differs little from an untreated metal. The beneficial effects develop over a period of time.

Glavish said that although the process was relatively new, there had already been successful applications to industry.

Hot rolling mills for producing copper and steel rod gave a five-fold increase in useful life after nitrogen ion implantation, and auto industry tools have shown big improvements in performance and lifetime. There are very promising applications for bearings for military aircraft and inertial guidance systems.

ANAC was beginning to have problems in being based in New Zealand, although there was no prospect of pulling out, said Glavish.

"Although New Zealand has a lot of talent and expertise, there's very little experience in mechanical engineering," he said. "We're facing a situation

where the education process is not entirely suitable for supporting high-level mechanical and electronic engineering companies."

It was impossible to get draughtsmen with the right background in New Zealand, but no trouble at all in California, because of the many technically-based industries there, he said.

In future, ANAC will probably send staff down from the Californian base to train New Zealanders on the job in Auckland.

Once XICOR is established, its income will be derived from the sale of specialised implanter equipment, built in Auckland, to customers with in-house applications, and from providing a contract implantation service for industrial clients and research laboratories.

Quick!

Who had the most successful Australian business trip?



THE KIWI ON THE RIGHT!

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The prices shown in the following examples include return economy air travel, transfers and accommodation — and give you a full working week in Sydney.

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Wynyard Travelodge — 8 Days from \$541
Wentworth Hotel — 8 Days from \$584
Sydney Hilton — 8 Days from \$638

SYDNEY/KINGS CROSS — 8 DAYS FROM \$592
Staying at the Hyatt Kingsgate

SYDNEY/NORTH SHORE — 8 DAYS FROM \$552
Staying at Camperdown or North Sydney Travelodges.

SYDNEY & MELBOURNE — 8 DAYS FROM \$711 (12 Days from \$850, 16 Days from \$990)
Your choice of accommodation at either the Sydney/Melbourne Travelodges or, for extra, Sydney/Melbourne Hilton Hotels. Includes inter-city return air travel.

SYDNEY, BRISBANE & SURFERS PARADISE — 12 DAYS FROM \$739 (16 Days from \$839)
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Has NZ done its chips?

by Stephen Bell

IT looks like New Zealand has lost out to Australia in the semiconductor manufacturing stakes.

The Australian Government has announced that it is close to agreement with National Semiconductor over the set-up of a \$1000 silicon "chip" plant in Canberra.

The Development Finance Corporation has effectively confirmed that Natsemi was the protagonist in discussions earlier this year with the DFC's United States representative on the possibility of a New Zealand manufacturing facility.

Assistant general manager Roger Gaskell said discussions on a similar front had been held with other semiconductor companies "over the past two years" and that some of these ventures were still open.

But none, he indicated, had yet come as close to a definite conclusion as had the Natsemi proposal.

Gaskell also emphasised that the Australian proposal had not yet been finalised. Natsemi is at this stage committed only to "examining the feasibility" of the project. But Government and Natsemi sources in Australia appear confident of a final settlement.

require the Government to provide \$19 million worth of land and building for the Natsemi factory.

In return, the company promises improved accessibility to its technology, assistance with product development and, of course, employment and training of Australians.

The project, it is claimed, will generate about 1200 jobs directly, with a downstream creation of some 800 further positions.

Part of the deal will be an "applications laboratory", set up in collaboration with a local organisation — CSIRO is the obvious choice — to examine new ways of using semiconductor technology to benefit Australian industry.

Mass transport cutbacks in US

THE Reagan Administration is proposing to reduce federal aid to local mass transport systems substantially from the level proposed by the Carter Administration.

For urban mass transit, \$3800 million of spending is proposed for fiscal 1982, down nearly \$1400 million from the Carter proposal.